

IMPORT TERMINAL SOLICITATION

REPUBLIC OF HONDURAS

SUROIL, INC.

14 JULY 2006

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Of particular concern is that the information contained herein must not be released to any party outside the immediate group of recipients in the GOH to avoid information becoming prematurely available to parties interested in participating in the solicitation, thus affording them an inappropriate advantage over parties which will not have access to this information until the release of the solicitation.

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Es de particular interés que la información contenida en este documento, no debe ser proporcionado a ninguna parte que no sean las autorizadas para el manejo de esta información dentro del GDH, para evitar divulgación prematura a partes interesadas en participar en el proceso de licitación que podría permitirles una ventaja inapropiada contra otros participantes que no tendrían acceso hasta fechas posteriores.

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Note: the schedules called for in this solicitation are the same schedules actually included in the proposed draft Agreement

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REQUEST FOR PROPOSALS

BY:
THE GOVERNMENT OF HONDURAS
(GOH)

FOR:

DESIGN, BUILD, OPERATE AND TRANSFER (DBOT) PROJECT FOR A NEW REFINED PETROLEUM PRODUCTS IMPORT TERMINAL AND ALL SUPPORTING FACILITIES AND INFRASTRUCTURE

REQUEST FOR PROPOSALS

BY: THE GOVERNMENT OF HONDURAS (GOH)

FOR:

DESIGN, BUILD, OPERATE AND TRANSFER (DBOT) PROJECT FOR A NEW REFINED PETROLEUM PRODUCTS IMPORT TERMINAL AND ALL SUPPORTING FACILITIES AND INFRASTRUCTURE

LOCATION: PUERTO CASTILLA, DEPARTMENT OF COLON, HONDURAS, C.A.

> **NOMINAL CAPACITY:** 2.4 MILLION BBLS OF WORKING CAPACITY

> > **DATE REQUEST ISSUED:**

FIRM PROPOSALS DUE:

Mr. Gerardo Pelen Technical Manager_____

Tel:

Fax:

E-Mail

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THE SOLICITATION

All sections of this document, including all Schedules and Attachments, are collectively referred to as the **Solicitation Package.** The content of the solicitation was developed for the Government of Honduras (GOH) for the purpose of soliciting proposals for the DBOT Project (the "Project") to provide the Government of Honduras with a refined petroleum products import terminal with all supporting facilities. For clarity, any party wishing to make a

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proposal under this solicitation is referred to as an "interested party". The party awarded the DBOT Project is referred to as the "Concessionaire".

Introduction

Goals

The Government of Honduras (GOH) wishes to establish conditions for sustainable market competition for the long-term reliable supply of the country's petroleum product requirements at least cost. Achieving this primary goal requires the competitive bidding for and award of supply contracts with the broadest possible industry participation.

A supporting objective is to acquire, as quickly as possible, a new refined petroleum products import terminal suitable for use in service for the import of the country's existing nominal 14 million bbls per year petroleum product demand and all future requirements.

Scope of Services for Project Facilities

The Terminal and Supporting Facilities must be able to receive ocean-going product tankers, discharge the full range of products into the Terminal tankage, store the products until dispatch to the market, and then dispatch the domestic products primarily at the Terminal's tank truck loading rack. All operations are to be consistent with industry guidelines for control of product quality and quantity as part of a comprehensive management program designed to ensure safe, environmentally sound, reliable, and efficient operations over the long term.

Rationale for a DBOT Project

To access the appropriate level of expertise for the design, construction, operation, maintenance and management of the Project facilities, and to secure funding, the GOH has decided to solicit proposals from industry for the Project on a Design, Build, Operate and Transfer (DBOT) basis. The winner of the solicitation for the DBOT Terminal Project, the Concessionaire, will, upon selection, work with the GOH to finalize the Project Design, Construction Schedule, Budgets, Management Systems, Fees and all other Terms and Conditions.

Use of Project Facilities

During the multiple-year Concession Period, when the Concessionaire owns, operates, maintains and manages the Terminal and Supporting Facilities, these facilities will be utilized under the direction of the GOH to receive products from the winners of periodic solicitations for product supply, to be sponsored by the GOH, for the volumes of petroleum required by the GOH.

These facilities will not be employed to receive, store or dispatch petroleum products owned or delivered by the Concessionaire, or any affiliate, unless the Concessionaire is separately awarded one or more of the product supply contracts during the course of the Concession Period.

To ensure sustainable market competition for the product supply solicitations, and unrestricted access to key strategic facilities required for efficient importation of products, the

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ultimate ownership of the Project facilities will revert to the GOH at the end of the Concession Period.

Operation, Maintenance and Management after the Concession Period

Not less than one year before the end of the Concession Period, the GOH will solicit offers from industry for the Operation, Maintenance and Management (OMM) of the facilities for a period to be defined, commencing at the end of the initial Concession Period. The Concessionaire will have the right to compete for this service contract.

Project Timing

Project timing is critical. In order to "fast track" the development of the Project and ensure the earliest possible operations start-up date, the GOH has elected to request the Concessionaire to manage the design of the Project consistent with established industry standards, specifications and procedures, while meeting the conditions established in the GOH's Design Basis Memorandum and Operating Philosophy Memorandum.

In addition, when evaluating proposals, the confirmed operations start-up date will be given considerable weight in the evaluation and selection of proposals.

Draft DBOT Agreement

The GOH has also drafted a proposed Agreement for the DBOT Project, consistent with its understanding of industry practices and guidelines suggested by international institutions for this type of project. It is intended that this Draft Agreement be used to guide the development of proposals, but not to limit or constrain in any way the consideration of alternatives or options that may reasonably benefit the GOH and the Concessionaire. Interested parties are encouraged to suggest changes for clarity, alternatives to points suggested, and/or new items for consideration when they submit their proposals.

Support Services

The Concessionaire, in addition to the work associated with operating, maintaining and managing the Terminal and Supporting Facilities, will be required to play an active role in monitoring product dispatch, building off-take forecasts, advising the GOH of best times for next cargo delivery and forecasting sufficient ullage and best delivery windows. In addition, as discussed in the Draft Agreement, and highlighted in *Attachment 1* of the Solicitation Package, the Concessionaire will be required to provide a management service for the invoicing and collection of revenues from the sale of all products dispatched from the Terminal. The fee for these two additional services by the Concessionaire will be included in the Terminal Throughput Fee.

Terminal Fees

As noted above, there will be a Terminal Throughput Fee to cover the above two services as well as compensate the Concessionaire for all variable costs.

The fee for the amortization of the investment, maintenance, base salaries and fixed costs will be covered in a Terminal Storage Fee, which will be expressed in US\$ per barrel of terminal shell capacity per month. This serves to guarantee a minimum payment to the Concessionaire regardless of throughput levels.

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Possible Changes to the Scope of Services

The DBOT Agreement may be modified under terms and conditions to be mutually agreed at award to allow for expanded facilities for:

- 1. Growth in national demand,
- 2. Support the possibility of Honduras serving to import products through its Terminal facilities for the region,
- 3. Set up a lightering and transshipping operation for crude oil, and / or products
- 4. Export ethanol and bio-diesel, and
- 5. Convert some or all of the Terminal and Supporting Facilities into export facilities if a regional refinery is constructed which could effectively employ this infrastructure.
- 6. Add LPG import facilities and supporting operations. This would include storage facilities, pipelines from the berth and from the storage facilities to a loading rack.
- 7. Delete some or all of the fuel oil handling capacity consistent with a planned reduction in the volumes of fuel oil to be handled by the terminal and supporting facilities.

The GOHR reserves the right to change the scope of the facilities and services presented in this solicitation at any time prior to the deadline date for the interested parties to submit Proposals and during the course of discussions and final negotiations with the selected parties on the Short List. The GOHR will endeavor to provide prompt notice of any such changes to all parties affected and at the same time to try to avoid any party being placed in a disadvantaged position as a result of the changes.

Solicitation Process and Conditions

Qualification for the Solicitation

Parties interested in submitting proposals for the Project have to satisfy two primary criteria at the time their offer is submitted:

- The solicitation is open to all companies, groups, joint ventures or individuals who can demonstrate to the GOH's satisfaction that they have the appropriate level of expertise to effectively implement the Project consistent with the above-stated goals of the GOH, if awarded the Project.
 - a. Demonstration of expertise and experience may be in the form of resumes for key individuals, references from clients for work associated with projects similar in scope or service, reference list of key contractors, vendors and support service companies who have expressed an interest in supporting the work required for this Project.
 - b. Expertise must be demonstrated for the Project from design and construction through management during the Concession Period.
- 2. The proposal must confirm that funding is available for the Project, must identify the intended methods of financing and, if possible, identify the specific sources of the funding at the time the Proposal is submitted.
 - a. If the specific sources of funding are not identified at the time the offer is submitted and the party making the offer is advised that it is on the Short List

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for offers being considered, the party making the offer will have seven (7) calendar days to identify the source of funds.

b. Identification and confirmation of source of funding must be in the form of a Memo of Understanding or similar document.

Timing for Submissions of Proposals

The following establishes the deadlines for all proposals:

- Firm Proposals valid for thirty (30) days must be submitted by
 _______, as stated on Page 1 of this Supply Solicitation
 Package;
- 2. Firm Proposals must be delivered no later than 14:00 hours Honduran time on the date noted; and
- 3. No Firm Proposals will be accepted after the stated delivery time.

Method of Submissions

If the party making the proposal elects to submit its offer via a fax, the deadline applies to the receipt of fax.

- 1. For faxed offers, the full body of the proposal must be sent by or before the tender deadline for the proposal submission.
- 2. No electronic (e-mail) submissions will be allowed.
- 3. All submission of printed documents must be delivered in full and final form.
- 4. Offers may be presented in person by a representative of the company tendering the offer.
- 5. Late delivery of offers will be cause for the GOH to reject the offer.
- 6. The party making the proposal, in all cases, bears the risk of delays for any reason.

Delivery address

All proposals must be addressed to:

Mr. Gerardo Pelen, Technical Manager for Suroil, Inc., Honduras.

If the proposals are hand delivered, these must be hand delivered to Mr. Pelen, and should be adequately sealed so that the offer may not be accessed until the seal of the offer is purposely broken open. Delivery of such hand-delivered documents should be made at the following address:

Street Address:

If the proposals are sent via fax, these must be faxed to one of the following three numbers:

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For clarification of any questions or comments prior to the date of proposal submission, Mr. Pelen may be reached at the following contact numbers or electronic mail (e-mail) address:

Tel: 504-238-3883 / 3897 / 3962 / 3970

Fax: 504-238-3972

E-mail: opshond@suroil.com

Confirmation of Proposals Received

No later than twenty-four (24) hours after the deadline for receiving Firm Proposals, the GOH will publish a list of all parties who met the deadline for submission of proposals. This list of parties making timely firm proposals will also be communicated electronically to all parties submitting a proposal.

Short List of Proposals

Following initial screening of all offers, the GOH will seek to reduce the list of offers it wishes to evaluate further. The list of such proposals is the Short List.

- 1. No later than thirty (30) days after the date for submitting Firm Proposals, the GOH will advise that at least two (2) but no more than four (4) of the best offers will be placed on a Short List for further evaluation, discussion and negotiation.
- 2. Parties selected by the GOH for inclusion on the Short List will be notified of this selection and given twenty-four (24) hours to confirm the extension of proposal validity as noted below.
- 3. Notices will be sent to the parties selected for the Short List by the GOH to e-mails or fax numbers noted in the proposals.
- 4. Upon confirmation that the parties selected for the Short List have extended their offer validity, the GOH will publish in the local press the names of the parties on the Short List and will send a similar notice to all parties that made an offer originally.

Validity of Proposals

Issues related to the validity of proposals will be handled as follows:

- 1. All Firm Proposals must have an initial validity of at least thirty (30) days from the deadline for submission of proposals.
- 2. The following items related to validity are causes for rejection by the GOH:
 - a. If the initial Firm Proposal does not clearly indicate the minimum thirty (30) day validity.
 - b. If proposals by parties selected for the Short List are not extended as requested within the twenty-four (24) hour time limit.

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- 3. Upon selection for Contract award, the GOH and the party selected for award will mutually agree within two (2) days to a period of time of no greater than five (5) days to conclude the negotiations and sign the final Agreement.
 - a. Failure to meet this deadline, for any reason, allows the GOH to either select one of the other parties who made a proposal, or to stop consideration of all proposals received under this solicitation. The final Agreement will include the establishment of a supply management system to coordinate the exchange of information needed to efficiently identify supply requirements, plan for delivery, nominate and vet vessels, and operate in a safe and efficient manner through the life of the Agreement.

Prior to signing the Agreement, the parties will agree on a supply mobilization plan based on the original proposal of the Supplier, with key performance dates established in the schedule

Performance Bond

The GOH requires that a Performance Bond be posted by the selected Concessionaire as described below. The proposed draft is described in **Schedule 19** of this solicitation

- 1. On notice that the GOH intends to award the Project to the Concessionaire, the Concessionaire will have two (2) working days to post the Performance Bond.
- 2. The Performance Bond must be in a form and with a bank acceptable to the GOH and must be payable to the GOH if the Concessionaire fails to meet any of the above key dates in the Project Schedule or fails to provide facilities consistent with the requirements of Schedule 1 or fails to provide facilities that are fully certified by a recognized authority as agreed prior to the finalization of the Agreement.
- 3. The validity of the Performance Bond must extend sixty (60) days beyond the planned startup date of operations.
- 4. The amount of the Performance Bond to be posted in favor of the GOH is ten million U.S. Dollars (US\$ 10,000,000).

Proposal Minimum Required Content

The following is the minimum content required for a Firm Proposal from an interested party:

- Concise statement that the Proposal meets or exceeds all of the requirements in the attached schedules for Standards, Specifications and Procedures, including the Design Basis Memorandum and the Operating Philosophy Memorandum. If one or more conditions are not met, a clear statement to this effect must be included with an explanation of why there has been a deviation.
- 2. Schematics showing preliminary layout of the Terminal and Supporting Facilities.
- 3. Schedule for the period from award to operations startup showing key Project components and benchmarks.
 - a. As noted earlier, the earliest startup dates after the date the contract is awarded will be heavily weighted in the evaluation of proposals.

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- b. This schedule will be used in the final negotiations with the selected Concessionaire to establish the key dates on which payment of the Performance Bond will be based.
- 4. Statement of fees split as defined in the Schedule for Fees in this solicitation. The fees are to be clearly separated between Terminal Storage Fees and Terminal Throughput Fees.
 - a. The lowest fees when consolidated and expressed on a US\$ per gallon basis will be heavily weighted in the evaluation of proposals.
 - b. Any fee escalators must be clearly defined and quantified in the Proposal.
- 5. Summary of Budgets for the Project investment, as well as all operating costs, on a yearly basis, for the life of the proposed Concession Period.
- 6. Statement of the proposed Concession Period, expressed in years from the start of operations, and a list of all conditions which could cause the Concession Period to be extended.
- 7. List of any requested changes or clarifications to the operating environment proposed by the GOH in the Solicitation Package which define the investment conditions for the selected Concessionaire. This could include, but is not limited to, proposed changes to the technical and/or operational items in **Schedule 1**, changes to the proposed DBOT Draft Agreement, or the tabling of entirely new and unanticipated proposals for consideration.
- 8. Statement of willingness to enter into the supply management agreement as summarized by the GOH in this Solicitation Package, **Schedule 8**, subject to mutually agreeable terms and conditions.
- Statement of willingness to enter into the product billing and fee collection agreement as summarized by the GOH in this Solicitation Package, **Schedule 10**, subject to mutually agreeable terms and conditions.
- 10. Draft of proposed Performance Bond and identification of the bank nominated to issue the Performance Bond.

Any proposal that does not include the minimum content can be rejected by the GOH without further consideration.

Any parties with Proposals rejected by the GOH for failure to meet the minimum required content will be notified within 24 hours of such rejection.

Evaluation of Proposals

The following will be used to guide the evaluation of all proposals received by the deadline:

1. The GOH will establish its own criteria for the evaluation of the proposals. As noted earlier, considerable weight and advantage will be given to proposals with the earliest operations startup date and the lowest fees.

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- 2. Any noted deviations from the technical and operating criteria will be considered if the GOH can benefit from the highlighted deviation. Offers that do not comply with the technical and operations criteria established in the Solicitation Package, *Schedule 1*, and that did not clearly note this deviation may be rejected as non-compliant.
- 3. As noted above, all proposals which do not include the minimum required content may be rejected.
- 4. The GOH reserves the right to consider certain intangibles to help identify the best long-term partner in this venture based on content and tone of the proposals, supporting information, and reputations of the parties making the offer based on experiences of other clients. It reserves the right to use this assessment, along with economic and timing considerations, in making the final selection for the Short List participants as well as the final award.

The GOH reserves the right to reject any and all offers, at its sole discretion, at any time, and to terminate the solicitation process or seek a revised solicitation as required to ensure that its best long-term interests are served.

Language

To encourage the greatest number of proposals from interested parties, proposals may be submitted in English or Spanish as the interested party elects for its convenience. It is strongly recommended, however, that any interested party selected for the Short List have bilingual members on their negotiating team to facilitate the evaluation and negotiating process. The final Agreement will be in English with a certified translation of the Agreement in Spanish.

Schedules

Table of Contents 1 which follows provides an index of all schedules attached to this Solicitation Package. In all cases, these schedules are to be included in the final Agreement for the Project and are the schedules referred to in the Draft Agreement (**Attachment 1**). In some cases, sections of schedules are incomplete as they must be confirmed with the Concessionaire at the time of Project award.

Schedule 1 covers the minimum technical standards and operational requirements, and includes the Design Basis Memorandum and Operating Philosophy Memorandum.

TABLE 1	Schedules	
	Design and Construction	
1	Project Scope, Standards and Specifications	
2	Facilities Testing: Acceptance of Construction, During	
	Operations, at Facilities Title Transfer to GOH	
3	Schedule of Key Dates	
4	Insurances	
5	Environmental Impact Assessment and Environmental	
	Guidelines	

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6	Permits and Licenses
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7	Creation and Publishing of General Operations Guidelines
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16	Documentary Requirements for the Effective Date of the Operations Period
17	Form of Performance Undertaking
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19	Draft of requested Performance Bond

Attachments

Table of contents 2 below shows the index for all attachments included in the Solicitation Package. Note that **Attachment 11** provides contact information for a private company that may be in a position to provide additional in-depth information about the country of Honduras. Interested parties may contact this company to obtain some or all of the information that is commercially available, at their own risk and cost. The GOH does not, however, endorse or warrant the validity or use of any of this information or representations obtained in this manner for any purpose.

Table 2	Attachment Name
Number	
1	Draft Terms and Conditions for Project Agreement
2	Summary of Conditions Affecting Project Costs and Risks
3	Decree Authorizing the Solicitation and Award of Contract for the DBOT Project
4	Identification and Authorization of GOH Empowered Entity Making the Solicitation and Entering into the Agreement
5	Organizational Chart for GOH
6	Map of Honduras
7	Map of Department: Colon
8	Map of Puerto Castilla
9	Chart of the Bay of Trujillo Showing Recently Recorded Water Depths at MLW
10	Selected Aerial photographs of Puerto Castilla

11	Contact Information for Additional	Maps and Data f	for the Country of Hondura	as

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SCHEDULES 1- 19

PART OF DBOT PROJECT SOLICITATION PACKAGE

DBOT PRODUCTS IMPORT TERMINAL

REPUBLIC OF HONDURAS

SCHEDULE 1

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#	ITEM IN SCHEDULE 1	PAGE
1	DESIGN BASIS MEMORANDUM (DBM)	
2	OPERATING PHILOSOPHY MEMORANDUM (OPM)	
3	PRODUCT SPECIFICATIONS	
4	KEY PRODUCT SPECIFICATIONS AND GUIDELINES FOR	
	CONTROL OF CONTAMINATION	
5	PRODUCT MSDS	

THE DBM AND OPM ARE ATTACHED

SPECIFICATIONS AND MSDS FOR INITIAL PRODUCTS TO BE SUPPLIED TO AND HANDLED BY THE TERMINAL

SPECIFICATIONS

1. THE SPECIFICATIONS FOR THE INITIAL PRODUCTS TO BE DELIVERED TO, STORED AT AND DISPATCHED FROM THE TERMINAL ARE AS SHOWN BELOW:

a.AVIATION GASOLINE	ANNEX 1A TO SCHEDULE 1
b.REGULAR MOTOR GASOLINE, UL	ANNEX 2A TO SCHEDULE 1
c. PREMIUM MOTOR GASOLINE, UL	ANNEX 3A TO SCHEDULE 1
d.JET FUEL	ANNEX 4A TO SCHEDULE 1
e.DUAL PURPOSE KEROSENE	ANNEX 5A TO SCHEDULE 1
f. DIESEL OIL/ GAS OIL	ANNEX 6A TO SCHEDULE 1
g.HIGH SULFUR FUEL OIL	ANNEX 7A TO SCHEDULE 1
h.LOW SULFUR FUEL OIL	ANNEX 8A TO SCHEDULE 1

2. FROM TIME TO TIME THE GOHR MAY REQUEST CHANGES TO THE THEN CURRENT SPECIFICATIONS AND AGREEMENT WILL NOT BE UNREASONABLY WITHHELD. THE CONCESSIONAIRE ON RECEIPT OF ANY SUCH REQUESTS WILL AS SOON AS PRACTICAL ADVISE THE GOHR IF THERE ARE ANY CONCERNS WITH HANDLING THE PRODUCT, CONSERVING ITS QUALITY INTEGRITY AND OR COMMINGLING THE PRODUCT WITH THE CHANGED SPECIFICATION WITH ANY RESIDUAL MATERIAL IN THE STORAGE TANKS AT THE TIME THE PRODUCT IS DELIVERED TO THE TERMINAL. THE GOHR AND

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THE CONCESSIONAIRE WILL ENDEAVOR TO RESOLVE ANY SUCH CONCERNS WHILE MINIMIZING DISRUPTION TO DELIVERIES AND ANY EXTRA COSTS FOR HANDLING

3. THE FOLLOWING ANNEXES TO THIS SCHEDULE SUMMARIZE FOR EACH GRADE WHICH SPECIFICATIONS ARE MOST IMPORTANT AND RISKS FROM CONTAMINATION FROM ONE GRADE TO THE OTHER. (TO BE DEVELOPED BY THE CONCESSIONAIRE WITH THE GOHR)

a.AVIATION GASOLINE	ANNEX 1B TO SCHEDULE 1
b.REGULAR MOTOR GASOLINE, UL	ANNEX 2B TO SCHEDULE 1
c.PREMIUM MOTOR GASOLINE, UL	ANNEX 3A TO SCHEDULE 1
d.JET FUEL	ANNEX 4B TO SCHEDULE 1
e.DUAL PURPOSE KEROSENE	ANNEX 5B TO SCHEDULE 1
f. DIESEL OIL/ GAS OIL	ANNEX 6B TO SCHEDULE 1
g.HIGH SULFUR FUEL OIL	ANNEX 7B TO SCHEDULE 1
h.LOW SULFUR FUEL OIL	ANNEX 8B TO SCHEDULE 1

MATERIAL SAFETY DATA SHEETS

4. The MSDS FOR EACH PRODUCT TO INITIALLY BE DELIVERED TO, STORED AT AND DISPATCHED FROM THE TERMINAL ARE AS SHOWN BELOW:

a.AVIATION GASOLINE	ANNEX 1C TO SCHEDULE 1
b.REGULAR MOTOR GASOLINE, UL	ANNEX 2C TO SCHEDULE 1
c. PREMIUM MOTOR GASOLINE, UL	ANNEX 3C TO SCHEDULE 1
d.JET FUEL	ANNEX 4C TO SCHEDULE 1
e.DUAL PURPOSE KEROSENE	ANNEX 5C TO SCHEDULE 1
f. DIESEL OIL/ GAS OIL	ANNEX 6C TO SCHEDULE 1
g.HIGH SULFUR FUEL OIL	ANNEX 7C TO SCHEDULE 1
h.LOW SULFUR FUEL OIL	ANNEX 8C TO SCHEDULE 1

5. IN MOST CASES THE MSDS IS GENERIC. THE PRODUCT SUPPLIER WILL BE REQUESTED AT THE TIME OF EACH DELIVERY OF PRODUCT TO PROVIDE PRODUCT SPECIFIC MSDS TO THE CONCESSIONAIRE, WHICH THE TERMINAL MUST KEEP ON HAND FOR REFERENCE.

Draft Design Basis Memorandum For Honduras DBOT Petroleum Products Import Terminal

PART OF SCHEDULE 1

Draft Design Basis Memorandum for Honduras DBOT Petroleum Products Import Terminal

The table of contents for the Design Basis Memorandum is shown below.

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Introduction

The Government of Honduras (GOH) has designated a party (GOHR) to represent it in the development and ongoing management of a new refined petroleum products import terminal and related facilities to be Designed, Built, Operated and eventually Transferred (DBOT) to the ownership of the GOH. This DBOT Terminal Project will be awarded to a private sector party, eventually referred to as "the Concessionaire," as the result of competitive bidding. The GOHR has developed a Solicitation Package that any party interested in bidding on the DBOT Terminal Project will use to make its proposal to the GOHR. While the following information often relates

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to any party interested in bidding (i.e., 'interested bidder') and not just the selected Concessionaire, for sake of simplicity the term 'Concessionaire' will be used throughout. **Schedule 1** of the Solicitation Package covers the technical and operational scope, standards, specifications, requirements and objectives for the Terminal Project. One major reference in **Schedule 1** is this Design Basis Memorandum (DBM).

The following items are proposed as the DBM for the Honduras DBOT Project for the Terminal and Supporting Facilities (Terminal Project). This DBM is to be used in conjunction with the other information provided in **Schedule 1** of the Solicitation Package as an aid to the Concessionaire in understanding the requirements for the Terminal Project. A complimentary reference, also included in **Schedule 1**, is the Operating Philosophy Memorandum (OPM).

A conflict may arise between the requirements in the DBM, the objectives in the Operating Philosophy Memorandum (OPM), and any referenced industry standard or specification (ASTM/API/NACE/NFPA, for example). In such cases, the Concessionaire is to bring this to the attention of the GOHR for clarification and resolution. In most cases, the more restrictive conditions will apply.

Some additional work is required in some sections of the DBM in order to establish the final basis, and these sections are clearly identified. The intent is to allow the Concessionaire i to recommend a suitable, workable basis in its proposal.

1. Base Case Land Utilization and Tankage Capacity

- a. The current design basis is to utilize land owned and/or controlled by the GOH in Puerto Castillo, Department of Colón, Honduras, CA, as the primary site for the construction of the Terminal and Supporting Facilities.
- b. Other sites along the north coast of Honduras can be considered, but will be evaluated against a model terminal at the Puerto Castillo site. In addition, it may take time for the GOH to take control of any alternate proposed sites and this could lead to the delay of the Project.
- c. There are abandoned petroleum tanks on part of this site. There is an ongoing fruit export operation from this site. The company ______ has an office building, storage area and access to an existing berth. The berth is owned by _____. There are other customs buildings on the site.
- d. The Concessionaire is to advise what specific area it recommends for the Terminal tankage and other facilities.
 - i. The storage, parking area and building for the fruit exporting company cannot be taken from them or used on a shared basis without their prior consent.
 - ii. All construction and operating activities of the Terminal Project must allow the fruit exporting company, its employees, service companies, and representatives of the GOH uninterrupted access to their facilities at all times.
- e. The Project tank farm is to be surrounded by a containment wall.
 - i. The Concessionaire will advise if the containment wall is to be earthen or concrete.

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- ii. The Concessionaire's preliminary design proposal must indicate the layout of the required tankage and estimate the height of the containment wall to be built above the final grade of the construction area.
- iii. The containment wall must be capable of holding one hundred and ten percent (110%) of the capacity of the largest tank, at minimum.
- iv. The area for tank development inside the tank wall is to be compacted and/or treated to reduce risk of oil contamination.
- f. If the Concessionaire elects to erect any tankage within five (5) km of the sea, its preliminary design at the time the proposal is made must also indicate the planned height of the sea wall. It must advise the height of the sea wall in meters above sea level, and guarantee that this height is ____ meters above the 100-year storm wave height.
- g. The proposal must also note, on a preliminary basis, that the base case tank farm area will be at ____ meters above sea level and that this height is ____ meters above the 100-year storm wave height.
- h. The Concessionaire is to provide preliminary layout schematics for all of the above at the time of the initial proposal.

2. General Tank Farm Layout

- a. The tanks are to be set up for the following segregations:
 - i. Aviation gasoline
 - ii. Premium gasoline
 - iii. Regular gasoline
 - iv. DPK/jet
 - v. Diesels
 - vi. Fuel oil
- b. The tanks for aviation gasoline, premium motor gasoline, and regular motor gasoline should be relatively close to each other to facilitate service change inside this group.
- c. The DPK/jet tankage and the diesel tankage should all be placed relatively close to each other to facilitate switching of tank service.
- d. The clean product tanks should be relatively close to each other versus the fuel oil tanks, to facilitate switching any of the tanks from one service to another as demand patterns require.
- e. In all cases, the manifold and pump systems in the Terminal must be designed to allow clean tanks to change service from one clean product to another.

3. Design Basis of Tanks

- a. The latest versions of the following industry technical references are to guide the design and construction of the Terminal and Supporting Facilities. Actual design and construction basis selected by the Concessionaire must meet or exceed these specifications and standards.
 - i. API 650/620 to govern for tank construction.
 - ii. API 653 Appendix B to govern for shell settlement. Note that maintenance, inspection, repair and/or reconstruction of the tank during the life of the Operations Period is to be consistent with API 653.
 - iii. API 2000 to govern for venting atmospheric and low-pressure tanks and fire protection.
 - iv. NFPA 30 to govern for tankage layout and fire protection.

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- v. API 651 and NACE RP 0193 (or replacement) to govern for external cathodic protection of tank bottoms, piping and berth structure.
- vi. The total number of petroleum tanks is fifty-five (55), with a total shell capacity estimated to be 2.718 million barrels, based on having a minimum tank working capacity of 2.44 million barrels.
- vii. There are four (4) proposed nominal tank sizes for the Terminal, expressed in working capacity, not total shell capacity: ten thousand barrels (10,000 bbls), twenty-five thousand barrels (25,000 bbls), fifty thousand barrels (50,000 bbls), and one hundred thousand barrels (100,000 bbls). Varying combinations of these four (4) nominal sizes of tanks are assigned to achieve the calculated working tank capacities for the Terminal.
- viii. The assigned tanks are intended to cover the requirements for parcel deliveries and safety stock based on current throughput conditions.
- ix. See **Table 1** for a summary of initial estimated product demand requirements for the Terminal by grade.
 - 1. The fuel oil is actually comprised of several grades, but this is treated as one pool of products.
 - 2. In practice, the tanks may be segregated either on a viscosity, sulfur content or metals content basis as the need arises.
- x. See **Table 2** for a summary of assignment of tanks by size (working capacity expressed in barrels) for each grade of product.
- xi. See **Table 3** for an estimate of tank shell capacity needed to obtain the required working capacity of the tanks. The Concessionaire is to advise if the actual requirements of the referenced standards will result in more or less tank shell capacity.
- xii. See **Table 4** for the logistics summary of parcel size delivery for each grade and required safety stock which resulted in the establishment of the required tank working capacity. This chart also compares the estimate of the calculated required working capacity with the assignment of the tanks based on the proposed use of the four (4) nominal tank sizes.
- xiii. See **Table 6** for a summary of minimum required tank features for the aviation gasoline, premium motor gasoline and regular motor gasoline tanks and the DPK/jet tanks.
- xiv. See **Table 7** for a summary of minimum required tank features for the diesel tanks.
- xv. See **Table 8** for a summary of the minimum required features for the fuel oil tanks. Note that one of the tanks is to have the shell designed to accept hot asphalt at three hundred and fifty degrees Fahrenheit (350 Deg F) at some future date.
- xvi. The tanks will maintain the ratio of height to diameter of no more than sixty percent (60%) so that anchors should not be required.
- xvii. The preferred height for all tanks is no higher than forty (40) # feet to achieve a low profile for storm conditions.
 - 1. This is the maximum height assumed in the initial tank configuration estimates.
 - 2. This tank height limit is a recommendation; the Concessionaire will advise if this is feasible and/or practical.

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- xviii. Working capacity as stated in this DBM is required. Estimates have been made to convert the required working capacity to tank shell capacity. The Concessionaire is to confirm the basis used and re-estimate the tank shell capacity as necessary.
 - 1. In order to estimate the tank shell capacity required to provide the tank working capacity, the tanks were assumed to have the normal suction line set with the center line of the suction at a nominal eighteen (18) inches above the tank floor.
 - 2. The height above the high alarm for safety and expansion has been set at a nominal seven percent (7%) for the purposes of estimating shell capacity. The Concessionaire is to advise if this is adequate on the assumption that the most restrictive conditions will apply for the grade requiring the maximum allowance, if that grade were used in all tanks.
- xix. All tanks are to be set on concrete ring foundations, raised at least _____ inches above common grade for drainage. The surface of the protruding edge of the tank ring on the concrete support ring shall have sufficient slope to avoid water accumulation.
- xx. Tanks are set no closer than one-sixth (1/6) of diameter for tank-to- tank distances and per NFPA 30 for tank-to-containment wall distances.
- xxi. Maximum design operating temperatures have been established to allow some service change between clean and dirty tankage. These guidelines are to be used unless the API and/or other industry standards require higher temperatures.
 - 1. The maximum operating temperature for all fuel oil tanks is one hundred and fifty degrees Fahrenheit (150 Deg F), except for one fifty thousand barrel (50,000 bbl) tank which is to be designed, as noted above, for three hundred and fifty degrees Fahrenheit (350 Deg F) operating temperatures.
 - 2. All clean tanks of a nominal twenty-five thousand barrels (25,000 bbls) and smaller to be designed for a maximum operating temperature of one hundred degrees Fahrenheit (100 Deg F).
 - 3. All clean tanks of a nominal fifty thousand barrels (50,000 bbls) working capacity and larger are to be designed to a maximum operating temperature of one hundred and fifty degrees Fahrenheit (150 Deg F) to facilitate possible swing service into fuel oil.
- xxii. All clean tanks to be painted externally to reflect sunlight and to minimize heat absorption.
- xxiii. All fuel oil tanks to be painted externally to maximize heat absorption.
- xxiv. As noted on fuel oil tank table, the Concessionaire is to provide an assessment regarding heat loss for the fuel oil tanks if uninsulated with an operating temperature of one hundred and twenty degrees Fahrenheit (120 Deg F), and
 - 1. provide a cost estimate for insulation,
 - 2. provide an estimate of savings of the tank is insulated, and
 - 3. provide the GOHR with an option to have one or all of the fuel oil tanks insulated at a fixed cost within three years of the start of construction.

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- xxv. For all tanks with external floating roofs, the Concessionaire is to provide an assessment regarding the value of the use of dome covers for the tanks, and
 - 1. provide an estimate of costs,
 - 2. provide an estimate of benefits, and
 - 3. provide the GOHR with an option to have the domes installed at a fixed price within three (3) years of the start of construction, unless prevailing standards require the installation of these domes.
- xxvi. The air spiders, where required, are to be Schedule 80 pipe, two inches (2 in) in diameter.

4. Terminal Throughput Volumetric Limits

- a. In the base case, volumetric throughput of a nominal fourteen (14) million barrels per year and 2.44 million barrels of working capacity tankage, the tanks will be rolled over about six (6) times per year, or once every two (2) months. Doubling this, the tanks could be rolled over once per month on average.
- b. The Concessionaire is required to commit to an operational level of four (4) times the starting volume for each grade of product (with premium and regular motor gasolines treated as one product for this purpose) for the Terminal as feasible, and with no added investment in tankage or manifolds for receipt of products, at the proposed Storage and Throughput Fees.
 - i. Added investment for the berth facilities will be considered when the planned berth utilization, based on the size, is targeted to exceed fifty-five percent (55%).
 - ii. Added investment for all loading rack infrastructure will be considered as extra once the base volume, plus stated volume increase, (in the DBM section for sizing the loading rack) is exceeded.
 - iii. It is expected that the berth capacity for the single berth will reach its limit long before this tankage throughput is reached. The Concessionaire is therefore requested to indicate in its initial proposal where a second berth serving the Terminal could or should be located if throughput levels rise to the point where the planned berth utilization is seen to exceed fifty-five percent (55%).
 - iv. In a similar manner, the Concessionaire must include in its preliminary layout the possible added loading rack infrastructure required to achieve the four-times (4X) multiple of throughput.

5. Product Qualities/ Specifications and Basis for Flow Rate Calculations

- a. **Annex 1** in **Schedule 1** provides the specification sheets and the MSDS for all products presently being imported for Honduras.
- b. Both the clean products and dirty product/crude oil pipeline systems must be sized to handle the heaviest, most viscous, material with the highest possible pour point.
- c. For pipeline design purposes, all clean product flow calculations should be made on the basis of a diesel product being pumped, with a viscosity twenty-five percent (25 %) higher than shown on the speciation sheet, a specific gravity

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twenty-five percent (25%) (or max 0.99, whichever is less) higher than shown, and an operating temperature at least fifteen degrees Fahrenheit (15 Deg F) below mean temperature, regardless of the actual clean product to be transferred in the particular section of piping.

- d. For design purposes, all fuel oil flow calculations should be made on the basis of the most restrictive grade of fuel oil shown, with the same percent viscosity and specific gravity adjustments noted above and the same adjustments for low temperature.
- e. For flow calculations for the transfer pipelines from the berth to the tanks:
 - i. The flow rate calculations for pipe sizing for motor gasoline (treating premium and regular gasoline as a single grade) and diesel products must be on the basis of no more than twenty-four (24) hour pumping time for a seven hundred thousand barrel (700,000 bbl) parcel, using diesel as the presumed grade to be pumped with the adjusted percentages for viscosity and specific gravity noted above, regardless of the intended service. Ships to be assumed to hold one hundred (100) psi at the ship's rail on average.
 - ii. The DPK/jet fuel and aviation gasoline basis will be for the specific characteristics of DPK/jet fuel and aviation gasoline, sized for a parcel twice the size shown in the Logistics Summary in **Table 4**. Ship's pressure at the rail to be assumed to be one hundred (100) psi. Pumping time to be no more than twenty-four (24) hours.
 - iii. The flow rate calculations for pipe sizing for fuel oil products will be that noted above for fuel oil. The parcel size to be received should be treated as seven hundred thousand barrels (700,000 bbls) and pumping time can be no more than twenty-four (24) hours. Ship's pressure at the rail should be treated as one hundred (100) psi.

6. Berth Design and Positioning Basis

- a. Bahia Trujillo, inside Puerto Castillo, is believed to have readily accessible water depths in excess of seventy (70) feet.
- b. The new berth(s) serving the Terminal are to have a minimum water depth of seventy (70) feet at the berth to serve the vessels delivering product to the Terminal.
- c. The Concessionaire is to recommend the best location for the berth(s), bearing in mind the need for safe maneuvering while entering and departing the berth(s).
- d. The existing berth is to be assumed to remain in full operation.
- e. The Concessionaire must also recommend a second berth site for the Terminal Project for a comparable berth in the event that planned berth utilization on the first Terminal berth exceeds fifty-five percent (55%).
- f. The berth design should be guided by the following requirements:

Maximum Tanker Size	120,000	DWT
LOA	350	m
Typical Maximum Summer Tanker Draft	17	М

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		(1)
Minimum Keel/Seabed Clearance (at maximum summer draft), to be confirmed based on sea conditions	1	M (1)
Water Depth at Tanker Centerline: Minimum	70 feet	
Tanker Approach Radius	TBD	M (1)
Minimum Required Water Depth at Tanker Approach Circle	70 feet	` ,
Manifold Distance from Bow (Worst Case)	180	m (1)

i. Notes:

- (1) This information design basis to be recommended by the Concessionaire.
- g. The berth systems to be operational ninety-five percent (95%) of the time, with 100-year storm conditions.
- h. Water depths are at lowest astronomical tide (LAT) salt water.
- i. The Concessionaire to advise what standards are being used to guide the design and construction of the berth.
- j. The berth has to be able to accommodate extended berthing of at least two (2) tugs at the facility.
- k. The berth has to have the ability to handle the following while a tanker is on the main berth:
 - i. . vessels as small as five thousand (5 k) sdwt;
 - ii. . up to two (2) barges of forty-thousand barrel (40,000 bbl) capacity; or
 - iii. .one five-thousand (5 k) sdwt vessel and one forty-thousand barrel (40,000 bbl) barge.
- The main berth has to be able to accommodate vessels as small as twenty thousand (20,000) sdwt if the small vessels and/or barge capability noted below are to be handled by an inner or secondary berth alongside the berth for the large vessels.
- m. The berth has to be able to accommodate stacked berthing of two (2) vessels at the maximum size shown, with across-the-deck hose for the first vessel from the second vessel.
- n. Preliminary indications are that the bottom in Puerto Castillo is sand. This has not been confirmed. No other soils information is presently available.
- o. The second berth to serve the Terminal arrangement can be a conventional buoy mooring system (CBM) if in the judgment of the Concessionaire it is not practical to construct a third shore-based berth facility for the expansion berth serving the Terminal. If a CBM design is recommended, it must conform to ABS guidelines and be designed to be in service for ninety percent (90%) of the time, minimum, but no vessel can be at the CBM when wind conditions exceed thirtyfive (35) knots.

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- p. The above referenced one hundred and twenty thousand (120,000) sdwt design basis is to govern for the design of the berth, even though there are no initial plans to exceed seventy thousand (70,000) dwt at the start of operations.
- q. The berth must allow for the access to the berthing area of maintenance and repair vehicles and cranes.
- r. The access to the berth must allow for the delivery of emergency bunkers by tank truck to berths at the vessel. The tank truck must be able to arrive, discharge, turn and depart safely

7. Expected Allowed Vessel Draft at the Main Berth and Approach

As noted in the above section, the expectation of the GOHR is that there will always be seventy (70) feet of water depth for vessels, entering, leaving and mooring at Terminal berths.

- a. The following chart shows the estimated typical drafts for vessels as a function of SDWT.
 - i. This information was obtained from recently chartered vessel data and is based on three (3) averaged vessels in each group.
 - ii. The required vessel draft is probably just under sixteen (16) meters for one hundred and twenty-five thousand (125,000) sdwt vessels.
- The basic engineering by the Concessionaire is to include a more comprehensive assessment of vessel fleet characteristics, including LOA, Beam, BCM, Draft, TPC for vessels up to one hundred and twenty thousand (120,000) sdwt.
- c. It is expected that the minimum water depth requirement of seventy (70) feet will be adequate for vessels up to one hundred and twenty thousand (120,000) sdwt capacity, with a safety allowance of more than two (2) meters on the keel.
 - i. The Concessionaire is to confirm that this expectation is reasonable and advise design changes that would allow for a safe under-keel clearance for this location for vessels as large as one hundred and twenty thousand (120,000) sdwt capacity if there is a problem.
- d. Up-to-date bathymetric data must be developed by the Concessionaire for the main approach routes and at the site selected by the Concessionaire for the berth before the design of the berth is finalized and construction begins

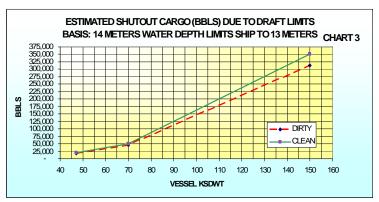
8. Marine Safety Related Conditions and Services

The Concessionaire must establish the design for the berth and construct the berth in such a way as to warrant to the GOHR that the Terminal is providing a safe berth as the term is understood in generally accepted industry charter parties. The following requirements apply:

- a. The Concessionaire must confirm that the main approach route will be sufficiently wide to allow vessels to be transiting in and out simultaneously.
- b. The Concessionaire is to advise, at the time the berth design is finalized, what support is needed for tugs in the mooring and unmooring operations.
- c. This advice will be in the form of number of tugs, bollard pull, and any positioning or maneuvering recommendations.
- d. The vessel must be positioned while at the berth to allow for quick escape in the event of an emergency, without tug assistance.

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- e. The Concessionaire is not required to provide the required tugs or allow for the cost of the tugs in its proposal. The Concessionaire may offer to provide this tug service if it elects, and the GOHR will consider the offer.
- f. The Concessionaire is required to advise at the time of final berth design the number and type of launches required to transport personnel to and from vessels and to assist in the mooring and unmooring of vessels at the berth.
- g. The Concessionaire is not required to provide the launch service nor bear the cost in its proposal and resultant fees.
- h. The Concessionaire may offer to provide this service and the GOHR will consider the offer.
- Pilots will assist in the mooring and unmooring of vessels.
- j. The
 Concessionaire
 is not required
 to provide this
 pilot service or
 pay this cost.



9. Navigational Aides

The Concessionaire is expected to review the extent and condition of existing navigational aides serving Puerto Castilla.

- a. To the extent that, in the judgment of the Concessionaire, the existing infrastructure is not suitable for safe, sustained long-term operations, the Concessionaire is to recommend what additional facilities are required.
- b. The Concessionaire will include the installation and maintenance of this system in its initial proposal.
- c. The Concessionaire is to provide schematics for any new navigational aides infrastructure.

10. Number and Service of Pipelines from Berth to Terminal

- a. The following pipelines from the berth to the Terminal are required
 - i. One line for the aviation gasoline, with double block valves or blind flange separation from all other pipelines.
 - ii. One DPK/jet line with double block valve or blind flange separation form all other lines.
 - iii. One diesel system.
 - iv. One motor gasoline system.
 - v. One fuel oil system.
 - vi. One unspecified system for line clearing and looping, sized as if it were to be employed in diesel service.
- b. The following design requirements apply to the pipelines from the berth to the Terminal:
 - i. All onshore, Terminal pipelines to be per ASME 31.3 latest version.
 - ii. Any underground piping to have cathodic protection and system of fusion bonded epoxy.

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- iii. All lines to have an above-ground gate valve near the shore line, prior to transition to the beach to be used for emergency blocking.
- iv. All lines from the berth to the shore to have a check valve (reversible) on shore.
- v. The fuel oil lines are to be insulated from the loading arm to the Terminal.
- vi. The non-aviation clean product pipelines from the berth to the Terminal are to be interconnected at the berth, as close as possible to the loading arms to facilitate change of service as required.
- vii. All pipelines are to be set up to allow pigging from the berth to the shore.
- viii. The pig launcher(s) are to be located on the berth as close as possible to the loading arms, or manifolds connecting to the hoses, if hoses are to be used.
- ix. The pig traps to be located as close as possible to the shore manifold which connects the lines from the berth to the lines to the tanks.
- x. The following minimum design basis is to be used for the berth-to-shore pipeline design to accommodate the use of pigging:
- xi. The turning radius of any bend in all pipelines must be at least twice the diameter to facilitate the pigging.
- xii. The pipelines must be designed to allow the use of a retractable pig/ pig with a cable to allow internal line inspections.
- xiii. The ovality of all bends in these lines must be within two percent (2%) to reduce the risk of product bypassing the pig at the bend.
- xiv. There must be at least four (4) pipe diameters between line bends to accommodate the pig movement.
- xv. Spill pans and containment areas must be provided for both the pig launchers and traps, adequate to contain the expected volume of leakage/"drippage" when the traps and launchers are opened.
- xvi. Water blocking with or without pigs may be used for product segregation with the oily water interfaces going to the API waste water treatment system.
- xvii. The line to be constructed with no designated initial service is to be used as a spare in the event that a clean line needs repair and to allow clean line looping in the event that any clean line must be rinsed/ flushed for whatever reason.
- xviii. The fuel oil pipeline system must be set up with at least two (2) pipelines, rather than one, to be used in parallel as and when needed for cargo receipt, and to provide the line-looping capability for flushing and cleaning, or single line service in the event that one line must be taken out of service for any reason.
- xix. The Concessionaire may elect to run two (2) or more parallel lines in motor gasoline service and/or diesel service rather than one large diameter line.
- xx. In no case shall a clean product or dirty product line from the berth to the shore have a diameter larger than eighteen (18) inches, if a larger diameter is required for flow considerations, the line is to be split, with two or more lines provided as required to achieve the necessary cross sectional area.

11. Number and Service of Pumps from Terminal to Berth

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The initial proposal by the Concessionaire is not required to have pumps with drivers to allow vessels to be loaded from the Terminal

- a. The final design layout for the Terminal, however, must include the manifold arrangements such that, if the Terminal elected to install the pumps and drivers at a later date, this could be accomplished without any hot work on the pipelines and/or manifolds.
 - i. The flanges allowing the possible connection of the pumps are to have a line size gate valve and a blind flange installed.
 - ii. The cargo loading pumps would have a diesel driver.
 - iii. For clean product, there would be two (2) pumps each capable of loading cargo under the same conditions as cargo receipt if only one pump was on line. These are to be centrifugal pumps.
 - iv. The cargo loading pumps for the fuel oil will also be sized consistent with the cargo receipt conditions.
- b. There will be two (2) pumps. One pump will be centrifugal and the other positive displacement (screw), with capacity to handle the required loading rates with only one pump operating.
- c. Other design criteria for the cargo loading pumps and drivers are as follows:
 - i. Discharge pressure, at the pump flange for all cargo loading pumps to be one hundred and fifty (150) psi. (10 bar)
 - ii. The manifold at the pumps should allow for pump recycle back to the pump suction and to the source tank.
 - iii. All pumps to have strainers between them and source tank that have a block and by-pass system. Strainer mesh to be advised in basic engineering.
 - iv. All pumps to have block and by-pass system to allow out of service work while other pumps are in service.
 - v. The two (2) centrifugal pumps to be separated from dirty system by double blocks, with an intermediate bleed line to confirm positive segregation.
 - vi. Piping is to be installed to allow the clean pumps and dirty pumps to swing service from clean and dirty as required.
- d. The Concessionaire will advise the cost and delivery time for the cargo loading pumps with appropriate drivers at the time the time of the initial proposal, and confirmed prior to the finalization of the Agreement. The GOHR is to have an option to install either or both sets of pumps at the estimated cost within two (2) years on the time construction starts.
- e. The Concessionaire to provide a preliminary schematic for the future pumps with drivers, and manifolds.

12. Pig Launchers and Traps: Pipelines from Terminal to CBM

As noted above in the section for pipeline design, the pipelines to the berth, both clean and dirty systems, are to be set up with pigging systems to allow the systems to be pigged

- The Concessionaire is to provide a schematic of the pig launchers and receivers during the basic engineering and before the pipeline system designs are finalized.
- b. The Concessionaire is to recommend the type of Pigs to be employed.
- c. The cost of the pigs and the operation of the pigging systems are to be included in the Concessionaires proposed fee structure.

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13. Hoses and/or Loading Arms at the Berth(s)

The GOHR has a clear preference for the use of loading arms at the berth, rather than hoses.

- a. Hoses can be allowed for in the design, if the multiple requirements in this DBM cause the use of loading arms to be impractical, or infeasible. The Concessionaire should declare its intentions regarding the use of loading arms or hoses at the time of the initial proposal.
- b. There must be at least two (2) clean product loading arms and one dirty product loading arm in the design. The dirty product loading arm must have no interconnections with the clean product system or loading arms.
- c. If hoses are to be employed as the primary means of connecting to the vessel at the main berth, or to be used for the small ship and barge capability, or as a planned backup to the loading arms, the following guidelines will apply:
 - i. The lifting weight should be held to no more than five metric tons (5 mt) per hose string.
 - ii. The hoses should be designed for one hundred and fifty degrees Fahrenheit (150 Deg F) temperatures.
 - iii. The clean product hoses should have the neoprene liner to allow +20 aromatics per OCIMF guidelines.
 - iv. The hoses must be non-electrical continuous.
 - v. The hoses to be single carcass.
- d. Hose codes and standards: OCIMF (Oil Companies International Marine Forum)
 - i. Guide to Purchasing, Manufacturing and Testing of Loading and Discharge Hoses for Offshore Moorings.
 - ii. SPM Hose Ancillary Equipment Guide, as appropriate.
 - iii. SPM Hose system Design Commentary, as appropriate.

14. Bunkers, Ship Water, Ship Slops Handling

No bunkers or water for vessels required to be provided at the berth, except as noted above by tank truck on an emergency basis.

a. No ship slops required to be received ashore.

15. Lightering/ Across-the-Deck Discharge of Stacked Vessels

The Terminal will obtain one set of lightering equipment, consisting of:

- a. Four (4) Yokohama fenders, four feet (4 ft) in diameter, eight feet (8 ft) long.
- b. Six (6) sections, twenty feet (20 ft) long, ten-inch (10) in hose

16. Loading Rack Design Requirements

- a. The loading rack must have a separate loading system for each of the following services with a sufficient number of loading bays, pumps and drivers sized to meet the demand in this Schedule 1, plus twenty-five (25)% spare capacity.
 - i. Aviation gasoline
 - ii. Regular/ premium motor Gasoline
 - iii. DPK/iet
 - iv. Diesel
 - v. Fuel oil
- b. See **Table 9** for estimated loading rack capacities which are to be confirmed by the Concessionaire in the final design.

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- c. The Concessionaire is to provide a preliminary schematic of the loading rack(s) facilities at the time if the initial proposal
- d. Loading rack to accommodate top loading of tank trucks
- e. The loading rack lines are to have flow meters installed
- f. Loading systems with multiple pumps must have blocks and bypasses for each pump to allow removal while other pumps are operating
- g. Each pump serving the loading rack to have a local pressure indicator at suction and discharge and instrumentation to transmit signal to control room
- h. All pumps/ drivers to have local and remote emergency shutoff
- Pump room to be covered and have adequate lighting for 24/7 operations as required
- j. The loading rack is to be covered and have adequate lighting to permit 24/7 operation
- k. There are to be two (2) bays at or near the loading rack for offloading tank trucks
 - i. One bay is for receipt of clean product. This bay will have a separate line for receipt of all clean product segregations
 - ii. One bay is for fuel oil receipts
- I. The Concessionaire is to provide a cost estimate for two (2) weigh bridges and a proposed site for their installation reasonably near the loading rack.
 - i. The GOHR is to have an option to require installation of one or both, within three (3) years of the start of construction at the agreed cost.
- m. The Concessionaire may separate the loading racks for clean and dirty products
- n. The Site layout for the loading racks must allow for a staging area inside security for final inspection of cargo, sealing of trucks and certification by Customs (as required)
- o. The Concessionaire must provide for a staging area outside security for trucks waiting to be dispatched for loading
- p. The loading rack meters, and weigh bridges if installed, must be connected to an automatic ticket system which provides documentation of the cargo loaded, in gross volume and net at sixty degrees Fahrenheit (60) deg F, coded with a unique transaction number, showing date and time of loading, with multiple copies. (Specific requirements will be provided by the GOHR at the time the contract is awarded.)
- q. The lines to all loading racks are to have an in line strainer installed near the pump discharge.
- r. The lines for DPK/jet fuel are to have a filter vessel with blocks and bypass after the pump discharge, before the loading rack. The strainer vessel to have a pressure gauge before and after the vessel.
- s. Loading arms are to be cantilevered for ease of handling
- t. Operations at the rack to be set up for driver control
- u. Instrumentation is to be included to control the volume loaded for each tank truck
- v. The loading arm is to have an overfill shutoff and high level alarm
- w. All instrumentation signals to be sent to the Control Room
- x. The tank truck dispatch documentation center must be located reasonably near the loading racks. The waiting area for the drivers at the documentation center must be covered with benches/ chairs provided
- v. The control room must be overlooking the loading rack(s) area

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z. There must be a public restroom sized for expected number of trucks to be loaded for the tank truck drivers and visitors both inside security and outside security.

17. API Separator

- a. The Concessionaire must advise the design basis for an API separator and water run-off containment system meeting or exceeding the requirements for a similar new facility in the State of Texas, U.S.
- b. The separator system and/or retention ponds should be sized to cover rainwater collection, retention, and release to the sea from inside the tank farm retention wall.
- c. Pumps to be used for slops recovery and to recycle back to dirty product storage.
- d. The Concessionaire to provide a schematic of proposed facilities layout.

18. Terminal Heater

- a. The Concessionaire is to design and provide a proposed layout for a thermal oil heater or steam boiler, to provide for the heating of fuel oil and to provide steam for heating water and cleaning as required. The cost is to be included in the initial proposal.
- b. The capacity of this heater is not required to include the service of heating the fuel oil tank that may be converted to hot asphalt.
- c. The design basis provided by the Concessionaire is to include the lines to the tanks to be heated for hot thermal oil or steam, depending on the design basis selected by the Concessionaire.

19. Utility Air

The terminal needs a utility air system to allow cleaning and clearing of tanks, spider based rollover of fuel oil tanks and to support M&R activities. The Concessionaire is to provide a system which accomplishes at least the following:

- a. The Concessionaire is to provide a Terminal/ berth utility air system in the base design.
- b. The utility air system will be based on at least two (2) compressors, one primary and one back up, producing ninety (90) psig air, with two (2) water knock out drums.
- c. The capacity of the utility air system will be based on recommendations by the Concessionaire.
- d. Compressors are to be diesel driven.
- e. A utility air manifold will connect all tanks, the berth and all pig launchers and pig trap locations.

20. Electrical Generators:

- a. The Terminal electrical generator system will be set up with at least three (3) generators with diesel engine drivers:
- b. Two for base load operations and one serving as a common back up. Sizing of the generators will follow the completion of the sizing of pumps and drivers, night lights and other users of electricity.
- c. One generator for office, lights, etc.
- d. One generator for all pumps providing product to the rack.

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- e. One common spare.
- f. All units with diesel engine drivers.
- g. Electrical capacity for pumps and drivers for option to install pumps for loading cargo at the berth is not required in the base case design.
 - i. Such pumps, if installed with electrical motors, will require their own generator sets and electrical distribution system.
- h. The Concessionaire is to provide a preliminary schematic with the initial proposal.

21. Fire Fighting System

- a. Sized per NFPA 30 requirements.
- b. To include fire water and foam system for all tanks.
- c. If one pump is electrical driven, the back up must be diesel driven.

22. Terminal Lighting

- a. Sufficient lighting has to be provided to permit 24/7 operations for all locations inside the security area.
- b. This will include lights at the base and top of the stairway for all tanks, at the pumping stations, at the pig launchers and receivers, along the bunker vessel berth and the launch/tug mooring area.
- c. Lighting to comply with codes to be recommended by the Concessionaire.

23. Warehouse Facilities/ Work Shop

- a. The Concessionaire to provide one or more onsite warehouses and/or work shops to provide on-site storage of spare parts, equipment, tools and consumables.
- b. The Concessionaire to also provide an on-site work shop equipped to support the required maintenance program for the Terminal and Supporting Facilities.
- c. If the Concessionaire can provide supporting contracts from service providers that the Concessionaire deems to be reliable, the Concessionaire may contract for some warehouse area and repair shop space and equipment, but the cost of such services must be included in the initial proposal for fees.
- d. The Concessionaire to provide warehouse and shop layout schematics in its initial proposal.

24. Emergency/ First Aid Room

- a. Given the remoteness of the Puerto Castilla site, the Concessionaire must provide an emergency treatment / first aid room to assist injured parties on site.
- b. The emergency room is to be staffed by a full-time registered nurse.
- c. Features, capability and capacity to be similar to that found on a large oceangoing oil tanker.
- d. The Concessionaire must also designate a site inside security, reasonably near the emergency room for helicopter landing and take-off.
- e. The Concessionaire is to provide a summary of proposed emergency room capability in its initial proposal.

25. Communications

a. The Terminal is to have a central control room with all instrumentation fed into and displayed in the control room.

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- b. All employees are to have access to and/or use of hand-held radio equipment for their normal in-plant work.
- c. The control room is to have a marine radio for communication with vessels, tugs and launches.
- d. The control room is to have a satellite communication set, similar to that found on vessels for news and weather monitoring.
- e. If telephone service is not provided as party of an in-country network, the Terminal control room must have satellite telephone communication capability as its primary telephone service.
- f. If such in-country telephone service is provided on land lines or by cellular, the Terminal must have satellite telephone capability as a back-up service.
- g. The Concessionaire must include a summary of planned communications capability in the initial proposal.

26. Offices and Furnishings

- a. The Concessionaire must provide adequate office space on the primary site for the use of its own staff and management, fully furnished and equipped to perform efficiently all the services requires in the DBOT Terminal Agreement. This would include, but is not limited to, bathrooms, change & locker rooms and kitchen area.
- b. The Concessionaire must also provide a conference room suitable for twelve (12) people minimum to allow meetings with GOHR, representatives of industry and other visitors.
- c. The Concessionaire must also provide a suite of offices for the GOHR on-site representative which will include at minimum:
 - i. an executive office, a meeting room suitable for six (6), a secretary/ receptionist area, a file and storage area, two (2) offices for professionals and three (3) work cubicles in a common area, plus a reception area with sofa and chairs for visitors, a bathroom, small locker room, and small kitchen area.
 - ii. All areas to be fully equipped with computers, faxes, copiers, office furnishings and other furnishings of the same quality provided for in the Concessionaire's office area.

TABLES 1-9

PART OF DBM FOR DBOT TERMINAL SOLICITATION

REPUBLIC OF HONDURAS

SUROIL INC HONDURAS DBOT TERMINAL GOH-DBOT-VS01 **TABLES 1-9 FOR DBM**

DBM

TABLE 1

HONDURAS PRODUCT DEMAND REQUIRMENTS BY GRADE INITIAL THROUGHPUT BY GRADE

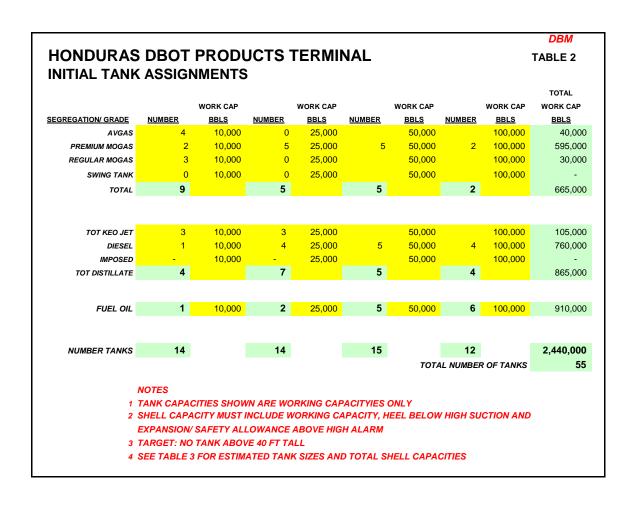
			PERCENT	EST
CONSUMPTION RATES	BBLS/ YR	BBLS/ DAY	OF TOTAL	BBLS/MT
AVGAS	100,000	274	0.71%	8.6
PREM MOGAS	2,600,000	7,123	18.34%	8.6
REG MOGAS	125,000	342	0.88%	8.6
DPK[-		7.7
JET	550,000	1,507	3.88%	7.7
DIESEL	4,500,000	12,329	31.75%	7.35
FUEL OIL	6,300,000	17,260	44.44%	6.3
TOTAL CLEAN	7,875,000	21,575	55.56%	
TOTAL BBLS	14,175,000	38,836	100.00%	

NOTES:

- 1 SEE INDIVIDUAL PRODUCT SPECIFICATION SHEETS
- 2 SEE INDIVIDUAL PRODUCT MSDS SUMMARIES
- 3 DPK TO MEET JET FUEL SPECIFICATIONS AND TO BE STORED WITH JET FUEL
- 4 BALANCE OF PREMIUM AND REGULAR MOTORGASOLINE SHIFTING DUE TO PRICING
- 5 FUEL OIL NOT A SINGLE GRADE

SUROIL INC HONDURAS DBOT TERMINAL TABLES 1-9 FOR DBM

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SUROIL INC HONDURAS DBOT TERMINAL GOH-DBOT-VS01 **TABLES 1-9 FOR DBM**

DBM

HONDURAS DBOT PRODUCTS TERMINAL TABLE 3 **INITIAL SCREENING BASIS: TANK SHELL CAPACITY**

	<u>10BK</u>	25KB	<u>50 KB</u>	100 KB
WORKING CAPACITY: BBLS	10,000	25,000	50,000	100,000
SHELL CAPACITY: BBLS	11,200	27,875	55,450	111,600
DIAMETER : FEET	50.85	70.21	99.41	141.40
TOTAL HEIGHT: FT	30.68	40.06	39.76	39.55
HIGH SUCT CL HT: FT	1.50	1.50	1.50	1.50
ALLOWANCE ABOVE				
HIGH LEVEL ALARM	7%	7%	7%	7%
NUMER OF TANKS	14	14	15	12
TOTAL EST SHELL CAPACITY	156,800	390,250	831,750	1,339,200

2,718,000 TOTAL TERMINAL ESTIMATED SHELL CAPACITY 111% RATIO OF EST SHELL CAPACITY TO WORKING CAPACITY

NOTES

- 1 ACTUAL REQUIRED SHELL CAPCITY TO BE CONFIRMED BY CONCESSIONAIRE
- 2 TARGET: NO TANK TALLER THAN NOMINAL 40 FT

SUROIL INC HONDURAS DBOT TERMINAL TABLES 1-9 FOR DBM

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HONDURAS DBOT PRODULOGISTICS SUMMARY BE MOTOR GASOLINES DELIVERED JOINT PREMIUM MOTORGASOLINE: BBL/DAY REGULAR MOTORGASOLINE: BBLS/DAY TOTAL BBLS/DAY ESTIMATED TOTAL PARCEL SIZE: BBLS ESTIMATED DELIVERY CYCLE: DAYS DELIVERIES / YEAR DIESEL DELIVERED STAND ALONE BASIS DIESEL BBLS/DAY ESTIMATED TOTAL PARCEL SIZE: BBLS ESTIMATED TOTAL PARCEL SIZE: BBLS ESTIMATED DELIVERY CYCLE: DAYS DELIVERIES / YEAR	7,123 342 7,466	SHIP'S CARGO BBLS 396,000	DELIVERY CYCLE DAYS 53.0	NUMBER SHIPS/ YEAR 6.9	SAFETY STOCK BBLS 223,973	MINIMUM TANKAGE ALLOCATE 619,973 759,956	
MOTOR GASOLINES DELIVERED JOINT PREMIUM MOTORGASOLINE: BBL/DAY REGULAR MOTORGASOLINE: BBLS/DAY TOTAL BBLS/DAY ESTIMATED TOTAL PARCEL SIZE: BBLS ESTIMATED DELIVERY CYCLE: DAYS DELIVERIES / YEAR DIESEL DELIVERED STAND ALONE BASIS DIESEL BBLS/DAY ESTIMATED TOTAL PARCEL SIZE: BBLS ESTIMATED DELIVERY CYCLE: DAYS DELIVERIES / YEAR	7,123 342 7,466	CARGO BBLS 396,000	CYCLE DAYS 53.0	SHIPS/ YEAR 6.9	STOCK <u>BBLS</u> 223,973	TANKAGE ALLOCATE 619,973	TANKAGE ALLOCATE 625,00
PREMIUM MOTORGASOLINE: BBL/DAY REGULAR MOTORGASOLINE: BBLS/DAY TOTAL BBLS/DAY ESTIMATED TOTAL PARCEL SIZE: BBLS ESTIMATED DELIVERY CYCLE: DAYS DELIVERIES / YEAR DIESEL DELIVERED STAND ALONE BASIS DIESEL BBLS/DAY ESTIMATED TOTAL PARCEL SIZE: BBLS ESTIMATED DELIVERY CYCLE: DAYS DELIVERIES / YEAR	7,123 342 7,466	396,000	53.0	6.9	223,973	619,973	625,000
PREMIUM MOTORGASOLINE: BBL/DAY REGULAR MOTORGASOLINE: BBLS/DAY TOTAL BBLS/DAY ESTIMATED TOTAL PARCEL SIZE: BBLS ESTIMATED DELIVERY CYCLE: DAYS DELIVERIES / YEAR DIESEL DELIVERED STAND ALONE BASIS DIESEL BBLS/DAY ESTIMATED TOTAL PARCEL SIZE: BBLS ESTIMATED DELIVERY CYCLE: DAYS DELIVERIES / YEAR	342 7,466						
REGULAR MOTORGASOLINE: BBLS/DAY TOTAL BBLS/DAY ESTIMATED TOTAL PARCEL SIZE: BBLS ESTIMATED DELIVERY CYCLE: DAYS DELIVERIES / YEAR DIESEL DELIVERED STAND ALONE BASIS DIESEL BBLS/DAY ESTIMATED TOTAL PARCEL SIZE: BBLS ESTIMATED DELIVERY CYCLE: DAYS DELIVERIES / YEAR	342 7,466						625,000 760,000
TOTAL BBLS/DAY ESTIMATED TOTAL PARCEL SIZE: BBLS ESTIMATED DELIVERY CYCLE: DAYS DELIVERIES / YEAR DIESEL DELIVERED STAND ALONE BASIS DIESEL BBLS/DAY ESTIMATED TOTAL PARCEL SIZE: BBLS ESTIMATED DELIVERY CYCLE: DAYS DELIVERIES / YEAR	7,466						
ESTIMATED TOTAL PARCEL SIZE: BBLS ESTIMATED DELIVERY CYCLE: DAYS DELIVERIES / YEAR DIESEL DELIVERED STAND ALONE BASIS DIESEL BBLS/DAY ESTIMATED TOTAL PARCEL SIZE: BBLS ESTIMATED DELIVERY CYCLE: DAYS DELIVERIES / YEAR							
ESTIMATED DELIVERY CYCLE: DAYS DELIVERIES / YEAR DIESEL DELIVERED STAND ALONE BASIS DIESEL BBLS/DAY ESTIMATED TOTAL PARCEL SIZE: BBLS ESTIMATED DELIVERY CYCLE: DAYS DELIVERIES / YEAR	12,329						
DELIVERIES / YEAR DIESEL DELIVERED STAND ALONE BASIS DIESEL BBLS/DAY ESTIMATED TOTAL PARCEL SIZE: BBLS ESTIMATED DELIVERY CYCLE: DAYS DELIVERIES / YEAR	12,329	390,093			369,863	759,956	760,000
DIESEL DELIVERED STAND ALONE BASIS DIESEL BBLS/DAY ESTIMATED TOTAL PARCEL SIZE: BBLS ESTIMATED DELIVERY CYCLE: DAYS DELIVERIES / YEAR	12,329	390,093	31.6		369,863	759,956	760,000
DIESEL BBLS/DAY ESTIMATED TOTAL PARCEL SIZE: BBLS ESTIMATED DELIVERY CYCLE: DAYS DELIVERIES / YEAR	12,329	390,093	31.6	11.5	369,863	759,956	760,000
DIESEL BBLS/DAY ESTIMATED TOTAL PARCEL SIZE: BBLS ESTIMATED DELIVERY CYCLE: DAYS DELIVERIES / YEAR	12,329	390,093	31.6	11.5	369,863	759,956	760,000
ESTIMATED DELIVERY CYCLE: DAYS DELIVERIES / YEAR		390,093	31.6	11.5	369,863	759,956	760,000
DELIVERIES / YEAR			31.6	11.5			
				11.5			
FUEL OIL DELIVERED STAND ALONE BASIS							
FUEL OIL BBLS/DAY	17,260						
ESTIMATED TOTAL PARCEL SIZE: BBLS		393,120			517,808	910,928	910,000
ESTIMATED DELIVERY CYCLE: DAYS			22.8				
DELIVERIES / YEAR				16.0			
DPK/ JET FUEL DELIVERED STAND ALONE BASIS							
DPK/ JET BBLS/DAY	1,507						
ESTIMATED TOTAL PARCEL SIZE: BBLS		50,000			45,205	95,205	105,000
ESTIMATED DELIVERY CYCLE: DAYS			33.2				
DELIVERIES / YEAR				11.0			
AVGAS DELIVERED ON A STAND ALONE BASIS							
AVGAS BBLS/DAY	274						
ESTIMATED TOTAL PARCEL SIZE: BBLS		15,000			8,219	23,219	40,000
ESTIMATED DELIVERY CYCLE: DAYS			54.8	6.7			
DELIVERIES / YEAR				6.7			
TOTAL	38,836	1,244,213		52.1	1,165,068	2,409,281	2,440,000
<u>B</u>	BLS/DAY	SHIP'S CARGO	DELIVERY CYCLE	NUMBER SHIPS/	SAFETY STOCK	MIN TANKAGE	ACTUAL TANKAGE
NOTES		<u>BBLS</u>	<u>DAYS</u>	<u>YEAR</u>	<u>BBLS</u>	ALLOCATED	ALLUCATE
DIESEL AND GASOLINE SHIPS: 55,000 SDWT VE	ESSELS						
FUEL OIL SHIPS: 65,000 DWT VESSELS				tank rollover			
DPK/JET AND AVGAS SHIPS: <10,000 SDWT TANK CAPACAITIES SHOWN ARE WORKING CA	APACITES	i					

DBM

TABLE 5

HONDURAS DBOT PRODUCTS TERMINAL BERTH UTILIZATION SUMMARY

52.11	NUMBER SHIPS/ YR
2.00	DAYS AT BERTH PER SHIP
104	TOTAL SHIP DAYS AT BERTH
1	NUMBER OF BERTHS
355	BERTH DAYS AVAILABLE
355	TOTAL BERTH DAYS AVAILABLE
29%	BERTH UTILIZATION

NOTES

- 1 SINGLE BERTH ADEQUATE FOR INTENDED SERVICE
- 2 AS LEVEL APPROACHES 100 SHIPS/YR SECOND BERTH SHOULD BE CONSIDERED

SUROIL INC HONDURAS DBOT TERMINAL TABLES 1-9 FOR DBM

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DBM

TABLE 6

HONDURAS DBOT PRODUCTS TERMINAL MINIMUM REQUIRED TANK FEATURES

ALL AVIATION GASOLINE, REGULAR & PREMIUM GASOLINE AND ALL DPK AND JET FUEL TANKS

TOTAL

10 KBD	25 KBD	50 KBD	100 KBD	COUNT	
9	5	5	2	21	GASOLINE TANKS
3	3	-	-	6	DPK/ JET TANKS
12	8	5	2	27	TOTAL TANKS IN GROUP

TANK FEATURE

- 1 FLOATING ROOF
- 2 CONE DOWN BOTTOMS
- 3 CENTER SUMP WITH LOW LEVEL DRAIN LINE
- 4 EPOXY COATED: ALL INTERNAL TANK SURFACES
- 5 WATER DRAIN OFF CENTER SUMP TO WASTE WATER SYSTEM
- 6 MAIN SUCTION LINE AT M 18 IN OFF TANK FLOOR (CENTER LINE)
- 7 HIGH LEVEL ALARM
- 8 HIGH HIGH LEVEL ALARM
- 9 INSTRUMENTATION FOR:
 - 9A WATER LEVEL DETECTION
 - 9B PRODUCT LEVEL DETECTION
 - 9C PRODUCT TEMP MULTIPLE LEVELS
 - 9D VOLUME AMBIENT CALUCLATION
 - 9E VOLUME CORRECTED TO 60 DEG F CALCULATION
 - 9F ALARMS LOCAL AND IN CONTROL ROOM
 - 9G ALL INSTRUMENT READOUTS TO CONTROL ROOM
 - 9H ALL TANK INFORMATION AVALABLE REMOTE SITE
- 10 PRESSURE RELEASE VALVES AS REQUIRED BY ASTM/API/ NFPA
- 11 CONNECTIONS ON FILL AND SUCTION WITH GATE VALVES
- 12 FILL LINE TO TOP OF TANK TO ALLOW CIRCULATION W/ PORTABLE PUMP
- 13 FOAM INJECTION
- 14 FIRE WATER RING
- 15 TANK GROUNDED/ EARTHED PER ASTM/API/NFPA
- 16 EXTERNAL STAIRCASE WITH HAND RAIL
- 17 ACCESS LADDER TO FLOATING ROOF IF EXTERNAL FLOATING ROOF
- 18 SAFETY RAILS ON TANK TOP PER STDS FOR FIXED ROOFS
- 18 TANKS PAINTED
- 19 TANKS NUMBERED
- 20 TANK NAME PLATE

NOTES

IN THE EVENT OF A CONFLICT WITH ABOVE REQUIREMENTS AND ANY APPLICABLE TANK STANDARD, THE MORE RESTRICTIVE WILL GOVERN, BUT CLIENT MUST BE ADVISED OF CONFLICT AND PROPOSED RESOLUTION

SUROIL INC HONDURAS DBOT TERMINAL TABLES 1-9 FOR DBM

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DBM HONDURAS DBOT PRODUCTS TERMINAL **TABLE 7** MINIMUM REQUIRED TANK FEATURES **ALL DIESEL TANKS** ΤΟΤΔΙ 10 KBD 25 KBD 50 KBD 100 KBD COUNT 1 | 5 4 2 12 TANKS IN GROUP 10 KBD 25 KBD 50 KBD 100 KBD FEATURE 1 4 NOTE 1 NOTE 1 FLOATING ROOF 1 NOTE 2 2 5 2 CONE DOWN BOTTOMS 3 2 CENTER SUMP WITH LOW LEVEL DRAIN LINE 4 5 2 EPOXY COATED: ALL INTERNAL TANK SURFACES 5 5 2 WATER DRAIN OFF CENTER SUMP TO WASTE WATER SYSTEM 6 5 2 MAIN SUCTION LINE AT M 18 IN OFF TANK FLOOR (CENTER LINE) 7 2 HIGH LEVEL ALARM 8 2 HIGH HIGH LEVEL ALARM 2 INSTRUMENTATION FOR: 9 9A WATER LEVEL DETECTION 4 5 2 9B PRODUCT LEVEL DETECTION 2 9C PRODUCT TEMP MULTIPLE LEVELS 5 2 **9D VOLUME AMBIENT CALUCLATION** 5 2 9E VOLUME CORRECTED TO 60 DEG F CALCULATION 4 5 9F ALARMS LOCAL AND IN CONTROL ROOM 2 4 5 4 2 9G ALL INSTRUMENT READOUTS TO CONTROL ROOM 4 5 2 9H ALL TANK INFORMATION AVALABLE REMOTE SITE 2 PRESSURE RELEASE VALVES AS REQUIRED BY ASTM/API/ NFPA 5 10 5 2 CONNECTIONS ON FILL AND SUCTION WITH GATE VALVES 11 5 2 EXTERNAL FILL LINE TO TOP OF TANK: CIRCULATION W/ PORT PUMP 12 5 **2 FOAM INJECTION** 13 2 FIRE WATER RING 14 15 2 TANK GROUNDED/ EARTHED PER ASTM/API/NFPA 16 2 EXTERNAL STAIRCASE WITH HAND RAIL 17 2 ACCESS LADDER TO FLOATING ROOF IF EXTERNAL FLOATING ROOF 18 2 SAFETY RAILS ON TANK TOP PER STDS FOR FIXED ROOFS 19 2 TANKS PAINTED 2 TANKS NUMBERED 20 2 TANK NAME PLATE 21 FLOATING ROOF ONLY REQUIRED INITIALLY IF REFERENCED STDS REQUIRE. IF FIXED ROOF INITIALLY, TANKS MUST BE SUITABLE FOR LATER ADDITION OF INTERNAL FLOATING ROOF

CONCESSIONAIRE TO ADVISE IF DOMES REQUIRED ON EXTERNAL FLOATING ROOFS. CLIENT TO BE GIVEN OPTION IF COMES NOT REQUIRED

NOTE 3

IN THE EVENT OF A CONFLICT BETWEEN THE ABOVE REQUIRMENTS AND ANY APPLICABLE TANK STANDARD, THE MORE RESTRICTIVE WILL GENERALLY GOVERN. THE CONCESSIONAIRE MUST ADVISE THE CLIENT OF ANY CONFLICTS

SUROIL INC HONDURAS DBOT TERMINAL GOH-DBOT-VS01 **TABLES 1-9 FOR DBM**

FUEL			DIAN	K FEA	
	OIL TA	NKS			TOTAL
	10 KBD	25 KBD	50 KBD	100 KBD	
	1	2	5	6	14 TANKS IN GROUP
	10 KBD	25 KBD	50 KBD	100 KBD	<u>FEATURE</u>
	1	1	NOTE 1	NOTE 1	FLOATING ROOF NOTE 2
	1	2	5	6	CONE DOWN BOTTOMS
	1	2	5	6	CENTER SUMP WITH LOW LEVEL DRAIN LINE
	1	2	5	6	EPOXY COATED: ALL INTERNAL TANK SURFACES
	1	2	5		WATER DRAIN OFF CENTER SUMP TO WASTE WATER SYSTEM
	1	2	5		MAIN SUCTION LINE AT M 18 IN OFF TANK FLOOR (CENTER LINE)
	1	2	5		HIGH LEVEL ALARM
	1	2	5 5		HIGH HIGH LEVEL ALARM
	1	2	5	-	INSTRUMENTATION FOR:
	1	2	5	6	9A WATER LEVEL DETECTION
	1	2	5	6	9B PRODUCT LEVEL DETECTION
	1	2	5	6	9C PRODUCT TEMP MULTIPLE LEVELS
	1	2	5	6	9D VOLUME AMBIENT CALUCLATION
	1	2	5	6	9E VOLUME CORRECTED TO 60 DEG F CALCULATION
	1	2	5	6	9F ALARMS LOCAL AND IN CONTROL ROOM
	1	2	5	6	9G ALL INSTRUMENT READOUTS TO CONTROL ROOM
	1	2	5	6	9H ALL TANK INFORMATION AVALABLE REMOTE SITE
	1	2	5		PRESSURE RELEASE VALVES AS REQUIRED BY ASTM/API/ NFPA
	1	2	5		CONNECTIONS ON FILL AND SUCTION WITH GATE VALVES
	1	2	5		EXTERNAL FILL LINE TO TOP OF TANK: CIRCULATION W/ PORT PUN
	1	2	5		FOAM INJECTION
	1	2	5		FIRE WATER RING
	1	2	5		TANK GROUNDED/ EARTHED PER ASTM/API/NFPA
	1	2	5		EXTERNAL STAIRCASE WITH HAND RAIL
	1	2	5	6	ACCESS LADDER TO FLOATING ROOF IF EXTERNAL FLOATING ROO
	1	2	5	6	SAFETY RAILS ON TANK TOP PER STDS FOR FIXED ROOFS
	1	2	5	6	TANKS PAINTED
	1	2	5	6	TANKS NUMBERED
	1	2	5	6	TANK NAME PLATE
	1	2	5	6	INSULATION OPTION FOR CLIENT
	1	2	5		MIXER NOZZLE ON TANK WALL
	1	2	5		AIR SPIDERS ON TANK FLOOR
			3 1	-	HEATING COILS CAPABLE OF RAISING 50 DEG F IN 8 HOURS SUITABLE FOR LATER USE AS ASPHALT TANK: 350 DEG F

SUROIL INC HONDURAS DBOT TERMINAL GOH-DBOT-VS01 **TABLES 1-9 FOR DBM**

DBM							
HONDURAS DBOT PRODUCTS TERMINAL TABLE 9							
ESTIMATED LOADING RACK CAPACITIES							
ALL GRADES							
				PLANNED			RACK
	BBLS/ YR	BBLS/ DAY		THROUGHPUT BBLS/ DAY		TRUCKS/	HOURS/
CONCUMPTION DATES	US GAL/DAY	DAY	DAY				
CONSUMPTION RATES AVGAS	100,000	274	125%	342	14,384	1.8	0.9
PREM MOGAS	100,000		125%		,	46.7	
REG MOGAS	2,600,000	7,123	125%	8,904	373,973	-	23.4
	125,000	342		428	17,979	2.2	1.1
DPK JET	FF0 000	4 507	125%	- 4.004	70.440	-	0.0
DIESEL	550,000 4,500,000	1,507 12,329	125% 125%	1,884 15,411	79,110 647,260	9.9 80.9	4.9
FUEL OIL	6,300,000	17,260	125%	21,575	906,164	113.3	56.6
TOTAL CLEAN	7,875,000	21,575	125%	26,969	1,132,705	141.6	70.8
TOTAL BBLS		38,836	125%	48.544.5	2,038,870	254.9	127.4
	, .,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		-,	_,,		
TRUCK	DAILY	EST	ACTUAL				
BAY HRS	HRS/BAY	# BAYS	3 BAYS				
OCTANE RACK 25.4	10.0	2.54	3		AVG GA	ALS/TRUCK	8,000
HRS/TRK AT RACK					0.50		
DISILLATE RACK 45.4 10.0 4.54 5 GALS/BBL						42	
51151 AH					TIME AT RA	-	70%
FUEL OIL 56.6	10.0	5.66	6		LL TIME/TRUCK		21.0 381.0
TOTAL # BAYS 14							
	TOTAL BAYS PIPED FOR AV						
	_						
I	PIPED FOR PR						
	PIPED FOR RE	GULAR MOT	UR GASULII	VE			
DISTILLATE RACK	5	TOTAL BAYS	3				
	2	PIPED FOR I					
	5	PIPED FOR L	DIESEL				
FUEL OIL RACK 6	TOTAL BAYS						
TWO SEPARATE LINES TO ALL FUEL	OIL BAYS						
NOTES;	NE CIZEO AND	DUMP CARA			LOADING DATE		
I CONCESSIONAIRE TO DETERMINE LI 2 TARGET ALL CLEAN PUMPS TO BE S		FUNIP CAPAC	SITIES TO A	PUICAE LUESE	LUADING KATE	3	
B AT LEAST TWO SPARE CLEAN PUMP		LLED					
AT LEAST ONE SPARE DIRTY PUMP							
IN THE EVENT OF A CONFLICT BETW THE MORE RESTRICTIVE WILL GENE							LICTS
MORE REGIMOTIVE WILL GENE			LOCIONAIN	OO! ADVIGE	E OLILIAI O	. AIT CON	2.010

HONDURAS DBOT PRODUCT IMPORT TERMINAL GOH-DBOT-VS01

OPERATING PHILOSOPHY MEMORANDUM:

FOR HONDURAS DBOT PRODUCT IMPORT TERMINAL

PART OF SCHEDULE 1

HONDURAS DBOT PRODUCT IMPORT TERMINAL GOH-DBOT-VS01

OPERATING PHILOSOPHY MEMORANDUM: HONDURAS DBOT PRODUCT IMPORT TERMINAL

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HONDURAS DBOT PRODUCT IMPORT TERMINAL GOH-DBOT-VS01

Introduction

The new products import terminal serving Honduras is to be constructed on the Atlantic coast of Honduras, in Puerto Castilla, Department of Colón, Honduras, C.A. In this proposed Design, Build, Operate and Transfer Project (DBOT), the client is the designated Representative of the Government of Honduras (GOHR). The private sector partner will be the winner of the solicitation. This party will design, build and operate the Terminal and Supporting Facilities in the Concession Period and is referred to as the Concessionaire.

This Operating Philosophy Memorandum (OPM) is part of **Schedule 1** of the Project Solicitation which covers the Scope of the Project, and the applicable Standards and Specifications.

The Terminal operating philosophy has two primary purposes:

- It is intended to show the Front-End Engineering Design team of the parties interested in responding to the Solicitation Package the operating basis and management rationale for all of the Terminal facilities. This will help flesh out and qualify the Design Basis Memorandum (DBM), and provide guidance for completion of the sizing/ specifying/ setting limits in the Terminal design.
- It is intended to be used to guide the business planning basis for the Concessionaire so that the technical design basis matches the Terminal's planned business objectives.

In the event of a conflict or the need to resolve an issue not adequately addressed between the DBM and the OPM, the problem should be discussed with the GOHR. The DBM and/or the OPM can then be modified as required by the GOHR to resolve the conflict and/or provide an adequate design basis.

In all cases, if the Concessionaire has suggestions for a better standard or more efficient way to achieve the requirements of the GOHR, the Concessionaire is invited to open the discussion with the GOHR in interest of efficiency for both parties.

There are a variety of procedures, terms and conditions that the Concessionaire must formally confirm with the GOHR prior to the finalization of the Agreement that are discussed in this OPM. Documentation is required in the Agreement schedules.

1. Terminal Project Objectives

In seeking the Project to provide the new Terminal and Supporting Facilities, the GOHR has the following objectives:

a. Support the country objective of strategically positioning itself through investments, enabling legislation and regulations, and promotion of most competitive practices in all aspects of the petroleum market serving the country to obtain long-term, least-cost petroleum product supplies for the country in a reliable and efficient manner.

The specific objectives for the DBOT Terminal Project therefore are:

HONDURAS DBOT PRODUCT IMPORT TERMINAL GOH-DBOT-VS01

- b. Provide the country of Honduras with a new products import terminal capable of receiving, storing and dispatching the country's import product requirements in a safe, efficient and reliable manner, consistent with sound environmental practices, for the long term within the parameters of a carefully planned, conscientiously executed and systematically controlled management plan which begins at the time the contract is awarded for design, and continues through to the end of the Concession Period.
- c. Ensure that the Project facilities are readily and consistently available to receive cargo provided by the winner(s) of the product supply solicitations periodically awarded by the GOHR, store these products until dispatch, and then dispatch them based on demand requirements.
- d. Ensure that ownership or management of the Project facilities will not be used in any way to restrict competition for import product supplies through refusal to allow receipt, storage or dispatch of such products, or from demand for different fees to different product importers, or as a result of operating the facilities in a way that does not support long-term, sustainable least-cost supplies for the country.
- e. Obtain the Project funding as well as the expertise for Designing, Building, Operating, Managing and Maintaining the facilities from the Concessionaire from award of the Contract through to the end of the Concession Period.
- f. Obtain the use and eventual ownership of the Project facilities based on fees which amortize the Concessionaire's investment, compensate for operating costs and provide the Concessionaire with a reasonable profit for participating in the Project.

2. Concessionaire Expertise

It is essential that the Concessionaire bring to the Project the expertise required to effectively manage the Project from the award of the Contract through to the end of the Concession Period. In this regard, the Concessionaire will be the primary advisor to the GOHR for:

- a. Design of the facilities to help ensure that the GOHR obtains the facilities required to meet its objectives,
- b. Construction of the facilities consistent with industry practices to permit a reliable service life well beyond the Concession Period,
- c. Maintenance of the facilities that is consistent with a long-term reliable project life, and
- d. Management of the Project, while working effectively with the GOHR to plan, execute and control all aspects of the Project to achieve the GOHR's objectives

3. Transparency and Accountability

The GOHR intends to have a relationship with the Concessionaire that is as transparent as possible and that will have standards for accountability with joint, ongoing evaluation of performance and requiring immediate corrective action when performance fails to meet expectations. The Concessionaire will propose an overall management system prior to the finalization of the Agreement. The management system will be defined in the Schedules of the Agreement, and updated from time to time as required. The minimum requirements of the GOHR for transparency and accountability are summarized below:

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- a. All agreements with the Concessionaire will be published.
- b. The GOHR and the Concessionaire will meet periodically to review the Project, beginning in the design phase and extending to the end of the Concession Period. In no case shall the interval between management reviews exceed three (3) months.
- c. Periodic (monthly) management reports by the Concessionaire will be published. Content and format to be by mutual agreement.
- d. The Concessionaire will provide, at its cost, one or more internationally accepted, third-party inspection companies to:
 - i. verify the design,
 - ii. inspect the construction methodology,
 - iii. test and inspect the installed/ constructed facilities,
 - iv. certify facilities suitability for the intended purpose,
 - v. witness the planned inspection, testing, maintenance of all facilities and equipment during the life of the Project,
 - vi. renew certificates for facilities and equipment for safety and suitability for continued use, and
 - vii. Periodically audit the plans, records, and performance of the Concessionaire's operations.
- e. The Concessionaire will propose such third-party services as part of its comprehensive management plan from time to time.
- f. It is required that the Concessionaire obtain ISO certifications with an internationally recognized body for its management system in regard to the Terminal Project which effectively ensures that the Concessionaire is planning, operating and stewarding the Project consistent with GOHR objectives and requirements.
 - i. This certification is to be obtained at the Concessionaire's cost within a year of the start of construction.
 - ii. The ISO certification must remain in effect through the Concession Period.
- g. The Concessionaire must establish a record-keeping system which fully documents all of its plans, activities and records of its investments, costs, operations, planned maintenance, training, safety records, environmental compliance records and all other activities undertaken in support of the Project.
 - These records must be readily available to the third-party inspectors designated by the Concessionaire and the GOHR, and to the GOHR until the end of the Concession Period.
 - 1. At the end of the Concession Period, these records will become the property of the GOHR.
 - 2. At least one copy of the system must be kept off-site for security reasons.
 - 3. Copies of all paper files and records must exist in electronic format.
- h. The Concessionaire will propose a system of reporting on regular intervals to the GOHR that satisfies the requirements of the GOHR, and that will be changed from time to time to meet changing conditions. This would include, but not be limited to, status reports for inventory, recent dispatch, planned maintenance,

HONDURAS DBOT PRODUCT IMPORT TERMINAL GOH-DBOT-VS01

- safety, training, environmental reports, planned inspections, losses and basis for billing of fees.
- i. The GOHR will have full access to the Concessionaire's plans and records and may use the services of a different third-party expert, at its own cost, to review and advise the GOHR regarding the comprehensiveness of the Concessionaire's plans, the effectiveness of its management systems and the completeness of its records.
- j. To the extent that any third-party reviews and audits or management reviews by the Concessionaire and the GOHR determine that the plans and practices of the Concessionaire are not consistent with the established ISO practices, or not effective, or not consistent with general industry best practices, the Concessionaire will correct the deficiencies and become compliant as required as quickly as practical.

4. Safety Considerations

While it is clear that the GOHR desires to have an ongoing proactive relationship with the Concessionaire for the life of the Agreement to protect and ensure its interests in the venture, it must be understood by all concerned that:

- a. The Concessionaire is at all times responsible for the safety of the personnel on the Project site and engaged in any operation for the Project; is responsible for the safe design, construction and use of all facilities; and, when product is stored in the Terminal, is responsible to protect, maintain in the condition received and act to avoid loss of any sort while such product is in the custody of the Concessionaire.
- b. The Concessionaire has and will always maintain the right and responsibility to deny access to the Project site, or to any area within the Project site, at its sole discretion to preserve the safety of individuals, equipment and product.
- c. The Concessionaire will also always have the right and responsibility to restrict activities, control conduct, insist on minimum training and require protective clothing or equipment for any party inside the secure area of the Project site, as it requires, and to deny access or require immediate departure of any parties found to not be in compliance
- d. The Concessionaire also has the right and responsibility at all times to restrict the nature and quantities of personal effects, equipment, goods and material to be brought in to the Project secure area, by any party, for any reason, at any time.
- e. It is expected that the Concessionaire will establish and periodically review and update a safety manual for the Project and have this available prior to the start of Construction.

5. **Security Considerations**

The Concessionaire is expected to secure the Project site prior to the start of construction, and maintain security of the Project site through the life of the Agreement.

a. The security system established by the Concessionaire will be in all respects ISPS (International Ship and Port Security) compliant and the initial audit and the

HONDURAS DBOT PRODUCT IMPORT TERMINAL GOH-DBOT-VS01

- security planning will be conducted by and certified by internationally recognized parties authorized to perform these services.
- b. Full ISPS compliance must be demonstrated by the Concessionaire to the satisfaction of the GOHR prior to the start of operations, and must be maintained throughout the Concession Period.
- c. The Concessionaire will arrange for all audits, tests and inspections of its security plan, and ensure that all personnel understand, are appropriately trained for and comply with their area of responsibility in the security plan.
- d. The security plan for the Terminal will include the designation of a marine restricted area, with actual dimensions to be agreed with the GOHR as a marine security zone. Notices to mariners will be issued by the GOHR and the Concessionaire to alert all vessels that entry into the marine restricted zone without specific prior approval of the Concessionaire will not be permitted. The GOHR will endeavor to enforce these restrictions using appropriate military or police forces.
- e. The Concessionaire must also provide its own security for the protection of the funds collected from the sale of revenues at the rack, which at current pricing levels would exceed USD 5 million per day.

6. Environmental Protection Considerations

It is understood by all parties that much of the area surrounding the proposed Project site is undeveloped and in a natural state. Some of the area is now or in the future may be designated as guarded preserves.

- a. It is the intent of the GOHR that the Project be planned, implemented and stewarded consistent with best international practices to preserve and protect the area from environmental damage during construction and operation. This would include, but is not limited to, minimizing any destruction of natural conditions during construction and minimizing the risk of any escape of oil, chemicals or other contaminants from the facilities to the environment during operations.
- b. To accomplish the intent of the GOHR, the following is understood by all concerned:
 - i. The Concessionaire will be responsible for securing the appropriate environmental assessments required for the Project.
 - ii. The Concessionaire will be responsible for implementing procedures, practices and investments, as required, or that the Concessionaire judges to be necessary, to fully comply with the criteria agreed with the GOHR to protect and preserve the environment at the time the environmental permit was obtained.
 - iii. The Concessionaire will also remain responsible for ensuring that operating conditions remain consistent with or exceed the conditions of the environmental permit for the life of the Agreement.
 - iv. The Concessionaire will also remain responsible for mitigation or remediation of all conditions damaging to the environment as a result of any failure to fully comply with the agreed environmental guidelines and standards.

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- v. Periodically the GOHR and the Concessionaire will review the environmental permit requirements to confirm that the Concessionaire is in full compliance.
- vi. To the extent that at any time the Concessionaire is found to be non-compliant, the Concessionaire will identify the probable cause or causes for non-compliance and then propose and implement corrective actions to rectify the non-compliance and establish measures to reduce the risk of any reoccurrence.
- vii. The Concessionaire will continuously monitor releases of gases, vapor or other pollutants to the air, and oil, chemicals or other contaminants to the sea and/or to the ground. In the absence of any applicable or less stringent local rules or regulations for this purpose, or lack of specific language or lower requirements in the environmental permit in this regard, the Concessionaire will be guided by the practices required for the State of Texas, U.S., even if these practices exceed those established in the environmental permit.
- viii. The Concessionaire will establish an environmental base line of conditions at the Project site prior to the start of construction, then update this baseline at the end of construction and then at least yearly thereafter even if this exceeds the requirement of the environmental permit. The Concessionaire is to make these baseline reports available to the GOHR.
- c. The Concessionaire remains responsible at all times to report any violations of the environmental permit conditions to the appropriate authorities.
- d. The Concessionaire will remain responsible for the payment of any fines as a result of pollution incidents and costs associated with mitigation or clean-up of any pollution to the Project site and surrounding areas caused by the actions or inaction of the Concessionaire.

7. Operating Flexibility Considerations

Operating flexibility is crucial to successful operations. The design of the facilities and the way the facilities are to be utilized must target flexibility and ease of change to ensure that the Terminal and Supporting Facilities efficiently accommodate changing conditions. The following summarizes some of the conditions requiring flexibility, to illustrate the requirement, but not limit the application.

- a. The design of the tanks is intended to allow the Concessionaire to readily swing most of the tanks from or into any type of clean product service.
- b. The manifold systems in the Terminal must allow the interconnection of all clean tanks to allow the change of service and ready transfer from one tank to another, or draw on any tank by pumps serving the rack.
- c. All tanks that could be used for jet fuel service must have the ability to circulate between tanks for particulate matter (PM) remediation and/or circulate internally.
- d. Tanks and lines in primary aviation product service have to have double blocks and by-passes or the ability to insert blinds to ensure product quality.
- e. All lines to and from the berth have to be designed to facilitate pigging, and all pipelines in the Terminal have to be accessible for flushing and/or cleaning to allow rapid change of service.

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- f. The required receipt of product into tankage is to be four (4) times the initial product throughput basis as growth and swings are expected.
- g. The design basis for the loading rack is conservative to allow at least two hundred and fifty percent (250%) of the initial throughput before additional investment is required.
- h. The berth planned utilization is under thirty percent (30%) with the expected class of vessels and should be able to perform up to fifty-five percent (55%) of planned utilization before additional capacity is required.
- i. The main berth is being constructed to accommodate the load of one hundred and twenty thousand (120 k) sdwt vessels.
- j. The main berth has to be able to receive vessels as small as twenty thousand (20,000) sdwt at the main berthing area, and vessels as small as five thousand (5 k) dwt and or forty thousand barrel (40,000 bbl) barges adjacent to the main berth.
- k. The berth has to be able to take the load of two stacked one hundred and twenty thousand (120,000) dwt vessels if required.
- I. Lighter fenders and hoses will be on hand for ship-to-ship lightering in the bay or, as noted above, stacked at the berth.
- m. The berth has to have space for accommodating the mooring of at least two (2) tugs, with vessels at the main berth and the small vessel or barge combination simultaneously.
- n. The pipelines are to be designed using worst-case specific gravity, viscosity and temperature for the heaviest clean product (diesel) and fuel oil products.
- o. The pipelines from the berth will also be sized to allow no more than twenty-four (24) hours of pumping time for the largest expected cargoes.
- p. Pipelines to/ from the berth will be capable of pigging within the physical constraints noted in the DBM.
- q. Pipelines to/ from the berth will be capable of being looped to facilitate flushing.
- r. Pipelines to/from the berth have back up.
- s. Pumps in the loading rack pump room have a common backup and the clean pumps can be swung into any service by selective use of the manifold.
- t. The pump room and loading rack are covered to allow 24/7 operations under most weather conditions.
- u. Lighting is to be provided to permit 24/7 operations and work in all areas of the Project site.
- v. Every product going to the rack is to be piped for dispatch from at least two (2) loading bays.
- w. The Concessionaire is to generate its own electricity requirements with one hundred percent (100%) back-up system.
- x. The demand for motor gasoline will swing between Regular and Premium. It is expected that, over time, the relative ratio between the two (2) grades will reverse from. 10/90 to 90/10.
- y. The demand for fuel oil will vary widely as it serves to support thermal power generation which is only produced as a backup to hydroelectric power generation.
- z. Tank cleaning to preserve product quality will be a relatively common activity.

8. Throughput

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The starting level of throughput for all grades is shown on **Table 1**. As noted, these volumes are expected to grow as well as swing up and down over time and/or change from one grade to another as is the case with Premium and Regular gasolines.

- a. Even a slow growth of two percent (2%) per year will result in a nineteen million barrel (19 million bbls) per year load by Year Fifteen (15) of the Project.
- b. Other considerations and market conditions could generate that level of growth in the first year.
- c. Actual delivery of product may be on vessels with just one grade, two (2) or more similar grades (Premium and Regular motor gasolines, for example), or with three (3) or more incompatible grades of oil on the same vessel.

9. Terminal Manifolds/ Pump Room

The Terminal manifold is also key to Terminal operations flexibility and will allow full swing use opportunities for all of the tanks, as the suction and discharge lines can be interconnected as required for changes in service and/or multiple-grade handling for clients.

- a. The Terminal manifold is to be designed to allow the pumps in the pump room to take suction from any tank and pump product to any tank.
- b. This is to include taking suction and re-circulating back to the same tank.
- c. Each tank will have a low suction/ sump drain line to allow last-drop stripping, a high suction to allow operations to proceed without removal of a water or sludge layer in the bottom of the tank and a fill line.
- d. The suction and fill lines for each tank will run between the tank and the Terminal manifold.
- e. The Terminal manifold will connect each tank's suction to a fill line for the loading rack.
- f. All valves to be numbered.
- g. Operations will maintain a shift log of all opened and all closed valves.
- h. All operating plans, cargo transfer and blending will include a summary of all valves to be opened and closed.
- i. The heater, if installed, and any exchangers will be integrated with the Terminal manifold to allow the heat exchangers to heat product from the two (2) tanks with hot boxes simultaneously.
- j. Tankers discharging at the vessel berth can discharge into more than one tank at a time, on a planned basis, with a supervisor assigned to monitor and/or control tank levels at all times. This flexibility in the discharge tank lineup will be possible using the Terminal manifold.
- k. No automatic shutoff valves can be installed in the lines to/from the berth to the tank manifolds that could be used to shut off the discharge from a vessel prior to shutting down the vessel discharge pumps.
- I. All tank instrumentation, pressure gauges, and pump on and off controls will be transmitted to the central Terminal control room.
- m. The control room will be manned on a 24/7 basis.
- n. The pumps serving the loading rack are to be used for inter-terminal, tank-to-tank transfers, again using the Terminal manifold, or in-tank product circulation without going through the manifold system.
- o. The operations basis will be that any tank can be filling or being drawn down, but not both at the same time unless it is on internal re-circulation and isolated from all other tanks.

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10. Control System Capability

- a. The instrumentation and computer-based Terminal data management system will be able to support at least the following:
 - i. Providing Terminal information to remote offices via internet (GOHR and third-party inspector, main clients and office of GOHR suppliers)
 - ii. Reports and data to be available to others in standard formats, downloadable to MS Office and other standard programs.
 - iii. Real time and historical reports by tank, by product, by time.
 - iv. Tank temperatures at multiple levels suitable for reporting net volume at 60 deg F.
 - v. All Terminal product transfers: flow rates to and from vessels with summary of cargoes received over time, by grade, with record of tanks used for transfer and to the loading racks, with reconciliation of tank truck ullage volumes versus volumes reported to be loaded.
 - vi. Gross and net standard volumes.
 - vii. Water level in tanks.
 - viii. Alarm reports, access to an active alarm, alarm to be audio and visual, alarm tool summary to help operator respond to alarms, and history of alarms
 - ix. High and high-high level tank reports. Connection to the loading rack documentation room with real-time access to all loaded truck information, and copies of load tickets.
 - x. Summary of products dispatched by client over time, by truck, with truck numbers, owner, and driver information.
 - xi. Daily tank openings and closings.
 - xii. Port logs of all ships at the berth.
 - xiii. Loss reports by grade, by tank, and by time period.
 - xiv. Ship-shore reconciliation and tank/ truck reconciliations.
 - xv. Leak detection reports per tank, based on static or continuous tank level analysis.
 - xvi. Confirm total throughput for any period of time for fee basis.
 - xvii. Confirm shell capacity on-line for fee basis.
 - xviii. Estimate tank emissions.
 - xix. Tank strap tables.
 - xx. Tank, equipment and facilities planned maintenance.
 - xxi. Inspection, Testing, Maintenance and Repair logs.

11. Maintenance Philosophy

The GOHR intends to operate this facility over a thirty-plus (30+) year period and expects to maintain the facility consistent with industry standards.

- a. The Concessionaire's design team is to advise its recommendations, plans and any reasonable options for:
 - i. cathodic protection,
 - ii. paint types, and application basis,
 - iii. coatings,
 - iv. chemical treatment process to reduce the risk of corrosion, and
 - v. any corrosion allowances inherent to the facility or equipment.

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- b. The above recommendations are to cover all equipment and onshore and berth facilities prior to the finalization of the design for the Project, and the basis selected will be incorporated into the design basis, the control mechanisms and planned testing and inspection programs. The Concessionaire will also confirm the applicable standards employed.
- c. It is required that there are no unexpected losses of services, equipment outages, or major renovation investments during the life of the Project which could be avoided with a conscientiously applied program by the Concessionaire for inspection, testing, maintenance, and repair during the Concession Period.
- d. It is also a requirement that the Concessionaire identify prior to the award of the Contract any major planned renewals, renovations or replacements of facilities or equipment during the life of the Agreement, or expected within five (5) years after the end of the Concession Period, based on its experience and that of industry for similar facilities.
- e. The Concessionaire is expected to establish and implement a comprehensive planned maintenance and repair (M&R) program that would cover the Project through the end of the Concession Period. This planned M&R program would also include reported deficiencies, breakdowns, and repairs required in addition to the planned M&R work list. Work items on the list would be assigned a unique code and tracked through to completion. Until completion, the work list would advise priority of the work, intended plans for resolution and the need for and status of any parts and equipment. These reports would be available to the GOHR on a monthly basis.

12. Supply Management Consideration

- a. The Concessionaire will be expected to work closely with the GOHR in managing the overall levels of supplies in the Terminal to help ensure efficient deliveries, predict earliest available ullage levels for import cargo deliveries and help establish estimated off-take patterns to help ensure there is no stock-out for any petroleum consumers. It is believed that the level of this assistance will exceed the normal duties of a commercial Terminal operator. These duties will also vary significantly depending on the overall level of throughput. For these reasons, the GOHR is proposing that a fee be paid to the Concessionaire to compensate for the time, effort and expertise involved in providing this extraordinary supply management assistance over the life of the Agreement.
- b. It is expected that the Concessionaire and the GOHR will agree on a service arrangement to be documented in the Agreement schedules that accomplishes the following:
- c. Sets up a regular planning cycle involving senior members of both parties to review recent off-take patterns versus last forecast, confirm overall level of inventories, predict run-out dates if no supplies are imported, consider possible supply options proposed by the supplier, review delivery schedules established in the last meeting, and establish an updated planned delivery cycle for the next thirty (30) days which meets demand requirements and reduces the risk of vessel bunching at the berth.
- d. This 30-day plan would serve as the basis for the GOHR to commit to its supplier for cargo deliveries and for the supplier to begin to nominate vessels to the Concessionaire for the deliveries.

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- e. The management review would also look at the upcoming sixty to one hundred and eighty (60- to 180-) day time period to establish trends in demand, and review Terminal M&R plans which may limit facilities availability at any time.
- f. A separate topic will also be the potential use of inventories to delay the need for purchases in a "spiked" market, or build inventories in a "dipped" market.
- g. The parties will also review the status of all outstanding claims, and forecast the possible outcome of claims against either party. This would include demurrage claims, quality claims, and quantity claims as these are supply-related.
- h. The Concessionaire will take the lead in developing the response to all claims for demurrage, quality and quantity from any party, proposing any settlement basis, and stewarding such claims to their logical completion.
- i. The Concessionaire will also maintain a FIFO (First In First Out) inventory basis for the GOHR's consideration, with the delivered pricing of all inventory still in the Terminal to help guide the GOHR's pricing basis to client's buying products dispatched from the Terminal.
- j. The intent is that the GOHR will always know what its "revenue neutral" rack pricing basis is, based on one hundred percent (100%) timely recovery of the cost of imported products.

13. Revenue Collection Service

It has been discussed elsewhere that the Concessionaire will be requested to collect the revenue from sales of product dispatched from the Terminal. It is expected that the GOHR and the Concessionaire will reach an agreement for these services and that this will be documented in the Agreement schedules. The following key points summarize the expectations of the GOHR in this regard:

- a. This serves to guarantee the Concessionaire ready access to funds from which to pay itself the Terminal fees.
- b. It also serves to relieve the GOHR of the administrative burden of this obligation.
- c. The compensation to the Concessionaire for this service will be included in the Throughput Fee, as the level of work will be directly related to the level of throughput.
- d. Initially it is expected that the payments for all products dispatched from the plant will be on a cash basis at the time of loading the product on the tank truck.
- e. At some point in time, the GOHR may establish credit terms for some clients and the Concessionaire will be advised of these arrangements when and if they
- f. The GOHR will control the price at the rack based on the advice of the Concessionaire regarding the cost of existing inventories.
- g. The sales price will include the recovery of supply costs, the fees due to the Concessionaire, duties and taxes on the product imposed by the GOH, and any gain or loss that the GOH may elect to take on the transaction.
- h. The Concessionaire will maintain a running account of all revenues collected, traceable to each tank truck transaction, a forecast of fees it intends to retain, the balance between fees retained and actually due and the schedule of funds collected versus deposited into the accounts designated by the GOHR for deposit of net revenues after fees.

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- It is expected that the Concessionaire will make available the cash for deposit of all collected funds in no more that forty-eight (48) hours after collection as directed by the GOHR.
- j. The GOHR will provide for transfer of funds from the Concessionaire location to the bank to be used for this purpose, and will bear all risk from the time of collection from the Concessionaire in the Concessionaire's secure area.
- k. The Concessionaire bears the risk of loss of funds while in its possession and will carry insurance for this risk.

14. Vetting of Vessels

The Concessionaire will recommend to the GOHR the vetting standards to be used to control the quality and safety of the vessels to be allowed to arrive at the Terminal berth and be involved in petroleum cargo transfers. These recommendations will reflect general industry practices and be reasonably consistent with the vetting requirements for other port operators in the region who have demonstrated that they are seeking to operate to recommended industry standards. These vetting standards will be published as part of the Concessionaire's berth operating guidelines. The GOHR will have the right to require more restrictive vetting standards than those proposed by the Concessionaire.

The following describes the intention of the guidelines for allowing vessels to call at the Project facilities from the perspective of the GOHR:

- a. All vessels must be nominated to the Concessionaire and approved by the Concessionaire prior to arrival and acceptance.
- b. All vessels must have on board all current certificates required for their class and service, including ISPS.
- c. All vessels must have pollution insurance consistent with industry guidelines and those established jointly by the Concessionaire and the GOHR.
- d. In general, the Concessionaire will require evidence of vetting of the vessel by one or more multinational oil companies and/or current USCG certificates.
- e. Vessels with unresolved conditions of class, recent history of fines and detention by Flag State or Port State Authorities, or unresolved issues reported in SIRE, will not be allowed to berth unless it can be shown that the issues are resolved to the satisfaction of the Concessionaire.
- f. An up-to-date IINTERTANKO Q88, latest version, must be provided to the Concessionaire at the time the vessel is nominated.
- g. All vessels must have an operational IGS and the system must remain in service while the vessel is at the Terminal facilities.
- h. All Terminal and ship operations must be compliant with OCIMF's ISGOTT (International Safety Guide for Oil Tankers and Terminals).
- i. It is expected that the Concessionaire will also elect to impose an age limit of twenty (20) years on all vessels nominated.
- j. The Concessionaire must have reasonable expectations that the nominated vessel will perform its obligations in a safe, efficient and timely manner based on all the information available to the Concessionaire at the time the vessel is nominated.

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k. The Concessionaire will also publish guidelines for the acceptance of vessels and the management system that will be in place during the course of ship operations at the Terminal facilities (consistent with ISGOTT).

15. Control of Cargo Transfers to and from Terminal Facilities

It is expected that the Concessionaire will establish operating guidelines to achieve at minimum the following, and as noted above these guidelines will be published.

- a. The Concessionaire will have a cargo discharge coordinator who will manage all cargo discharges into the Concessionaire's facilities or under the control of the Concessionaire's lightering operations if the cargo is not to come ashore.
- b. This coordinator will plan all discharges with the vessel master and set up controls with the vessel master in all cases consistent with latest version of ISGOTT.
- c. The Concessionaire will not permit the installation or use of any valves in the pipeline system serving the berth that can be operated remotely or automatically.
- d. All valves are to be manually opened and closed on command of the cargo coordinator.
- e. Operating guidelines will clearly establish that Terminal valves will not be shut against operating ship's pumps, or ship valves against operating Terminal pumps in the case of cargos being loaded.
- f. Radio communications will be established and maintained with the vessel master from the time commencement of entry throughout cargo transfer operations and departure from the berth.
- g. The Terminal pre-operations plan will indicate what valves are to be opened and closed during the course of cargo transfers, in what sequence and approximate time for operations, what tanks are to be employed and what level changes are expected in these tanks and when.
 - i. The schedule for valve position changes and tank management will then be updated periodically throughout the cargo transfer process by Terminal and vessel personnel.
 - ii. All tank levels, valve positions and pumping rates will be monitored through the Terminal's central control room.
- h. In a similar manner, the vessel master will be required to provide a detailed plan of operation indicating lines to be used, tanks to be drawn down or loaded, and approximate rates and time estimates for all activities.

16. Control of Vessel Access to and Use of Terminal Berth Facilities

Consistent with the earlier requirement that the Concessionaire has the right and responsibility at all times to protect the personnel at the Project site, the facilities and equipment, and the products in the custody of the Concessionaire, the Concessionaire is expected to set up guidelines to achieve the following:

- a. The vessel berth(s) will be used to discharge or load petroleum product cargoes under the control of the Concessionaire.
- b. These facilities will not be used for extended long-term mooring of vessels.

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- c. Vessels must be fully operational, seaworthy and fit for immediate departure prior to being allowed to berth.
- d. No maintenance work will be permitted at the berth that would result in the vessel not being ready for immediate departure in the event of an emergency.
- e. No hot work will be routinely permitted on any vessel at the berths.

The following guidelines are to be set up in the operating regulations for the Terminal to ensure that the berth is only occupied for short periods of time, on a planned basis. **Most importantly, vessels will not be permitted to weather a storm at the berth facilities with expected winds in excess of 35 knots.**

- f. The Concessionaire will have the right to reject any vessel at the time of nomination, at the time of arrival, or during the course of cargo transfer at the Terminal if, in the sole reasonable opinion of the Concessionaire, the vessel is not compliant with established industry standards or not in possession of all required certificates, or poses an unacceptable risk for escape of oil to the sea or other safety considerations.
- g. To the extent that the Concessionaire rejects vessels that have not yet been berthed, such vessels will not be allowed to berth unless or until the deficiency is corrected to the Concessionaire's satisfaction. Delays, costs and liabilities for such rejection will remain the responsibility of the vessel or client.
- h. If the Concessionaire rejects a vessel already at the berth, the vessel will be required to stop all operations, disconnect under the supervision of Terminal personnel and vacate the berth. The vessel will not be allowed to return to the berth or restart operations unless or until the deficiency that caused the rejection is resolved to the Concessionaire's satisfaction.
- i. The Concessionaire will have the right to notify the appropriate authorities regarding any observed or suspected vessel deficiency.
- j. To the extent that a vessel has mechanical problems that would prevent it from maneuvering under its own power, or any situation which would cause it to be unseaworthy, the Concessionaire will have the right to have the vessel removed from its facilities as expeditiously as possible. All costs, risks, and liabilities are for the account of the vessel owner or client.
- k. If any vessel is arrested by any party, including the Concessionaire, while the vessel is at the berth, the Concessionaire will have the right to seek to have the vessel moved by the authorities as expeditiously as possible. All costs, risks and liabilities for the vessel owner or client.
- I. The Concessionaire will be required to recommend minimum conditions for tug and launch support for the vessel during mooring and unmooring. The vessel master may elect to exceed these minimum requirements as he determines is necessary.
- m. It is expected that the Concessionaire will constantly monitor regional weather conditions and use this information to safely guide his operating decisions.
- n. It is expected that the Concessionaire will establish a system of working with vessel agents, inspectors, customs, immigration and other vessel visitors which accommodates their requirements within guidelines acceptable to the Concessionaire.

17. Hoses at Berth

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To the extent that cargo transfer hoses are employed, the following summarizes the expectations of the GOHR:

- a. The hoses will be purchased, stored, installed, tested, inspected and used consistent with OCIMF guidelines.
- b. The Terminal will maintain an inventory of hoses sufficient to support the operations, as well as lightering and across-the-deck transfers of product: one full string of each diameter.
- c. Hoses will be no larger than twelve (12) inches in diameter to facilitate lifting, single skin, no longer than thirty (30) feet, electrically discontinuous.
- d. The Terminal will not employ breakaway couplings on the hoses.
- e. Hoses will be neoprene-lined to allow service with high aromatic content products.
- f. Hoses will be lifted by the vessel's crew under the supervision of the Terminal supervisor, and connected by Terminal staff or service employees under the direction of the Terminal supervisor.
- g. At the completion of connection, the hoses and the suitability of the connection of the hoses to the ship's manifold will be inspected by the vessel's officer-in-charge prior to the start of cargo transfers.
- h. All lifting of hoses, connection and disconnection work, and lowering of hoses to the sea or berth—will be coordinated with the vessel's officer-in-charge.

18. Tugs and Launches Service Consideration

- a. The GOHR will endeavor to have tug and launch service provided to the vessels calling at the Terminal by other parties. The cost of the tug and launch services is not to be included in the cost build-up of the Concessionaire.
- b. The Concessionaire will be expected to coordinate tug service with any authorized local providers.
- c. The Concessionaire may elect to charter/ own its own tugs and/or launches, as a separate line of business, if local services are not adequate to meet the needs for services that the Concessionaire recommends.

19. Vessel Laytime and Demurrage Considerations

- a. The pipelines are to be sized to allow the largest parcels to be discharged on the conditions defined in the DBM and still allow pumping time of no more than twenty-four (24) hours, up to the cargo sizes noted for clean and dirty products.
- b. The Concessionaire is expected to have its staff, service personnel, facilities and equipment, and management guidelines organized to allow efficient loading or discharge of vessels in no more than thirty-six (36) hours of allowed laytime at the berth.
- c. 'Allowed Laytime' is to be defined consistent with ShellVoy, latest version, unless otherwise agreed.
- d. The GOHR will regularly provide a schedule of vessel arrivals and will endeavor to schedule the ship arrivals without conflict.
- e. Priority of berth access and start of laytime will be on a first come, first served basis, with no liability for the Concessionaire for vessels awaiting a berth.
- f. The Concessionaire will be required to assist the GOHR in the review of and defense against any claims made by others for demurrage while the vessel was at the Terminal berth.

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- g. The Concessionaire will proactively issue Letters of Protest against vessels and their agents for any act or failure to act on their part which could lead to or has resulted in delay in the time the vessel is at the berth.
- h. The Concessionaire will be responsible for delays at the berth which result in a demurrage liability for all activities under the control of the Concessionaire.
- i. In the event that either the Concessionaire or the GOHR must pay a demurrage claim for vessel delays while at the berth, the Concessionaire will advise the GOHR why this situation has occurred and will recommend steps that must be taken to reduce the risk of a claim liability in the future.
- j. To the extent that the Concessionaire is liable for a demurrage claim, payment will be made in the month the claim is resolved.

20. Delivery Vessel Berthing/ Unberthing Guidelines

It is expected by the GOHR that the Concessionaire will establish operating guidelines consistent with the following:

- a. Vessels will be able to berth during daylight hours once accepted by the Concessionaire.
- b. Prior to berth approach, all vessels will anchor and await orders to approach the berth.
- c. Vessels may not begin the approach to the Terminal without specific prior approval by the Concessionaire.
- d. Nighttime departure to be normally permitted by the Concessionaire.
- e. Bow and stern emergency tow lines must be deployed by the vessels prior to the start of approach to the berth.
- f. Pilots will board at a location designated by the pilots, but in all cases prior to the approach to the Concessionaire's facilities.

21. Small Vessel Berthing

The DBM requires that the berth be able to handle small vessels, and up to two (2) barges at the berth at the same time that large vessels are berthed for cargo transfer. It is expected by the GOHR that the Concessionaire will establish operating guidelines for the safe and efficient handling of the small vessels, barges and tugs at the berth.

22. Other Vessel Considerations

- a. All vessels calling at the Terminal must have segregated ballast tanks.
- b. The Concessionaire is under no obligation to accept ballast water ashore.
- c. The Concessionaire is under no obligation to accept slop oil/ water ashore or ship's garbage.
- d. The Concessionaire will accommodate reasonable replenishment of ship's stores, reception of necessary goods and equipment and rotation of ship's crew and/or service personnel, with the ship's agent responsible for the planning and coordinating of all such activities.

23. Vessel Lightering Service

As noted elsewhere, it is the intention of the GOHR to allow vessel lightering.

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- a. The service will consist of the capability to lighter vessels in excess of the berth capacity to extinction, lighter larger vessels to correct draft, and reverse lighter. Yokohama fenders, ropes and hoses will be provided by the concessionaire to support one lightering operation. Tugs and launches required for the lightering will be contracted at the time of the requirement.
- a. The client will arrange for the smaller receiving vessels or loading vessels in the case of reverse lightering.
- b. When/ if requested to commence lightering operations, the Concessionaire will provide one experienced lightering master who will direct the cargo transfer activities, with the individual vessel masters remaining responsible for their vessels in all cases.
- c. The cost of the one set of lightering equipment, as defined in the DBM, is to be included in the Terminal Storage Fee to amortize the cost, but not recovery of the cost associated with its use.
- d. The cost for the lightering service will be established between the Concessionaire and the GOHR on the basis of fees proposed by the Concessionaire at the time the Contract is awarded. Payment for this service will be on a case-by-case basis, due in the month the service was provided or that the Concessionaire began incurring operating costs.

24. Fee Structures and Handling of Other Costs

The main Terminal fees will be based on these criteria:

- a. Shell fees at fixed price per barrel of tank shell capacity, paid per month, regardless of use or number of times the tank is rolled over per month. This is, in effect, a one hundred percent (100%) take-or-pay basis. Any tanks out of service for more than fifteen (15) days for any reason will be deducted from the calculation of shell capacities for which fees are due.
- b. Throughput Fees based on actual throughput. This fee covers the marginal cost to the Concessionaire for additional throughput volumes by the client, and provides an upward-trending revenue basis for successfully marketing the Terminal services.
- c. Compensation for other investments and/or services agreed between the parties at the time the service or investment is requested or authorized by the GOHR, not anticipated in the above fee structures, until such time that the parties agree to incorporate any such payments in the above fee structures.
- d. The Concessionaire will not be responsible for product losses up to a reasonable level. The expectation of the GOHR is that the losses on throughput at the Terminal will be no more than four-tenths of one percent (0.4%) on total volume that passes through the Terminal, with the understanding that the Concessionaire will invest in and establish operating procedures targeting no more than three-tenths of one percent (0.3%) loss.
 - i. This level is on total throughput.
 - ii. The parties will agree on the maximum allowed loss level, by grade, prior to the finalization of the Agreement.
 - iii. This maximum loss level will be documented in a schedule in the Agreement, along with the basis for calculation and all the guidelines for settlement.

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- iv. It is expected that the losses on aviation fuels would be higher as product is downgraded in any joint product reception operation to protect the integrity of the aviation product.
- v. The Concessionaire will be responsible for losses in excess of the agreed allowed average loss level.
- vi. Reconciliation of losses will be on a month-by-month basis, with full financial settlement at the end of every twelve (12) month operating period, unless the parties agree to handle this differently.
- vii. The parties will have a final settlement for the losses at the end of the Concession Period even if for some reason, as a result of extensions to the operating period, twelve (12) months have not elapsed since the prior settlement.
- e. The parties loading or discharging vessels at the berth into or from the Terminal, or involved in cargo transfer by lightering, will pay their own agency fees, customs duties, port dues or other charges that may be imposed.
- f. The client's agent will be responsible for clearance of the ship and cargo with all Government officials including but not limited to customs, immigration and security, at the client's own costs. Any costs for such services, or delays and damages for the agent's failure to perform, will be for the account of the client.

25. Title to the Oil in the Terminal, Custody and Risk of Loss

It is anticipated by the GOHR that agreement will be reached with the Concessionaire prior to finalization of the Agreement for terms and conditions accomplishing the following. This agreement would be documented in the Schedules of the Agreement.

- a. In general, the Concessionaire will not have title to crude oil or petroleum product in the Concessionaire's facilities.
- b. For deliveries into Concessionaire Terminal tankage, the following guidelines will generally apply.
 - i. Title to the petroleum will remain with the GOHR or companies designated by the GOHR, which may be the party which delivered the cargo, until the product is dispatched from the Terminal.
 - ii. Custody and Risk of Loss for the petroleum products will transfer from the vessel owner to the Concessionaire at the time a cargo is received, with the flange at the ship's rail serving as the custody transfer point.
 - iii. Possession and Risk of Loss will transfer from the Concessionaire to the client and/or the vessel owner at the ship's rail when the Concessionaire loads a cargo as instructed by the client.
 - iv. Possession and Risk of Loss will pass from the Concessionaire to a third party when product is dispatch from the rack. The custody transfer point will be the loading nozzle tip. The party taking custody will be the owner/operator of the tank truck receiving the product.
- c. For lightering operations, the following guidelines will apply: The Concessionaire will not have Possession or Risk of Loss of the petroleum being transferred at any point in time.

26. Quality and Quantity Control Procedures

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The GOHR requires that the Concessionaire establish a comprehensive and clearly written set of procedures for the control of product quality and quantity for all product that enters into the custody of the Concessionaire, from the point of custody transfer to the Concessionaire to the point of custody transfer at the time of dispatch from the Terminal.

- a. These procedures will be documented in the Agreement schedules prior to the Agreement being finalized.
- b. These procedures will be consistent with latest API guidelines and will be included in the management procedures to be certified for ISO purposes.
- c. In all cases, product sampling, measurement and testing will be conducted by or witnessed by a third-party inspector which the GOHR will appoint.
- d. Samples will be retained by the designated third-party inspector in a site controlled by the inspector, away from the primary Terminal site, and the Concessionaire and GOHR will not have unaccompanied access to the samples under any circumstances.
- e. The GOHR will advise what laboratories will test the samples taken, based on recommendations from the Concessionaire.
- f. The Concessionaire will periodically review the selected laboratories' certifications to confirm to its satisfaction that in general all testing is being done to established standards, and that the aviation products in particular are being fully and properly tested.
- g. At any time that the Concessionaire becomes aware of, or has reason to believe that, any testing results are not valid or fully reliable, it must immediately report this situation to the GOHR and seek to immediately change laboratories and reconfirm the qualities of any product dispatched under less than fully tested conditions.
- h. Under no circumstances will product be dispatched from the Terminal without full reliable confirmation of the product quality against required specifications.
- i. On those rare occasions when a small deviation in product quality would reasonably lead to a one-time waiver on quality, only the GOHR will be allowed to grant such a waiver, based on recommendations from the Concessionaire.
- j. The GOHR will advise the third-party inspector the period of time the samples have to be retained prior to disposal
- k. The fees for the inspection services will be documented by the Concessionaire, paid as due by the Concessionaire, and included in the Terminal Throughput Fees for recovery of expenses for the Concessionaire.
- The Concessionaire will, in all cases, act to ensure that no aviation product is released to any client unless there are fully certified documents available confirming that the product is on specification based on full tests results by a fully certified laboratory.
- m. The Concessionaire will have the right and responsibility to have the incoming product sampled, tested and inspected to satisfy itself that the incoming product qualities are consistent with the required specifications, that retained samples are taken and that all such sampling, testing and inspecting is performed or witnessed and verified by a third-party inspector appointed by the GOHR.
- n. In addition, the Concessionaire will have the right to deny discharge of cargo from suppliers who have not provided the Concessionaire and/or the third-party inspector appointed by the GOHR with fully certified quality certificates from the load port.

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o. The Concessionaire will have the right and responsibility to establish the cargo discharge sequence and controls to ensure itself that the product will be transferred from the vessel to the Terminal storage tankage without loss of quantity or deterioration of quality consistent with the established quality and quantity control guidelines.

27. Cargo Transfer Measurement

The GOHR anticipates that the Concessionaire will establish a system of volume measurement for cargo lots based on the following, and that this basis will be documented in the schedules prior to finalization of the Agreement for the Project as part of the abovementioned quality and quantity control procedures.

- a. The Concessionaire will employ changes in tank height following APIrecommended practices for cargo receipts and cargo loaded onto tankers or barges from the Terminal.
- b. All receipts and volumes loaded will be corrected to net barrels at sixty degrees Fahrenheit (60 Deg F) using latest ASTM/API temperature correction tables.
- c. Ship's figures will be used to help reconcile shore tank figures, and to test shore tank figures for reasonableness, unless the GOHR or its inspector can show that the shore tank measurements are in error.
- d. The GOHR and/or its suppliers or clients have/has the right to have an independent inspector or cargo superintendent witness the custody transfer operation, review procedures and record results.
- e. In the event of any Terminal loading operations, Terminal loading figures will be based on shore tank figures as well, following the same rules.
- f. The Concessionaire will endeavor to operate the tanks to ensure that the changes in tank height of products to be used for measurements are in all cases credible and accurate.

28. Product Measurement for Tank Truck Loads

The GOHR anticipates that the Concessionaire will establish a system of volume measurement based on calibrated flow meter readings for all products loaded on trucks at the Terminal loading rack. It also anticipates that this system would be confirmed by tank level changes, weigh bridge measurements (if the GOHR elects to install and employ the weighbridges) and by dipping individual tank trucks as required. This system will be agreed to and documented in the schedules prior to finalization of the Agreement as part of the quality and quantity control procedures noted above.

29. Segregations/ Commingling of Product

The GOHR and the Concessionaire will meet periodically to determine the segregations that will be maintained in the Terminal based on the Concessionaire's recommendations for the possible segregations envisioned by the GOHR and/or its clients.

- a. There will be no commingling of product by the Concessionaire that is inconsistent with these product segregation guidelines.
- b. The Concessionaire understands that the need for the most stringent product quality controls exists for the two (2) aviation fuel grades.
- c. The Concessionaire will manage the segregations consistent with the established quality and quantity control procedures.

SUROIL INC

HONDURAS DBOT PRODUCT IMPORT TERMINAL GOH-DBOT-VS01

30. Communications Considerations

The GOHR requires that the Concessionaire will establish the following communications basis:

- a. Establish, staff and maintain a combined radio and central control room at the Terminal on a 24/7 basis.
- b. Prior to their arrival, the Concessionaire will advise all vessels of required operating channels.
- c. While at the Concessionaire's facilities, all vessels must maintain constant radio contact with Terminal radio room.
- d. All tugs and launches must also maintain such contact when in service to vessels calling at the Concessionaire's facilities.
- e. No vessel movement to or from the Concessionaire's facilities, or from one anchorage to another inside the Terminal's restricted area, will be permitted without prior clearance from the Terminal radio operator.
- f. All ship radio communications will be with this radio station.
- g. The radio room will also have satellite telephone as the primary telephone and email system, or as back to any locally provided service, plus computer connections to allow constant monitoring of weather conditions.
- h. The staff and service providers working in the Terminal area, will also have access to and use of secure radio communications.
- i. In general, cell phones and other portable communications devices will not be allowed to be turned on inside the Terminal secure area.

31. Emergency Response Considerations

The Concessionaire is expected to establish its own Emergency Response Plan and capability to provide at least a first level of response to any emergency. The GOHR will be provided with an updated copy of this plan.

- a. Emergency Response Plans are to be established for fires, explosions, oil spills, release of vapor, industrial accidents, and illness.
- b. The Concessionaire will integrate its Emergency Response Plan with local and national capability.
- c. The Terminal is to have a completely self-contained fire fighting system with water and foam system, as specified in the DBM.
- d. Terminal staff to be trained in fire fighting.
- e. No readily available local support should be presumed.
- f. Terminal staff are to be trained in first aid procedures for all types of possible industrial accidents.
- g. Helicopter evacuation should be presumed for serious injuries requiring more than first aid attention.
- h. The Concessionaire has the right and obligation to contract with local service companies for assistance in emergencies.
- i. The Concessionaire will maintain an inventory of supplies and material it judges to be prudent for emergency use.
- j. The Concessionaire will establish a drill procedure for emergency response training and testing of equipment, and will implement these drills periodically throughout the year.
 - i. In the initial (6) months of operations, and at least every twenty-four (24) months thereafter, the Concessionaire will work with a Marispond-type

SUROIL INC

HONDURAS DBOT PRODUCT IMPORT TERMINAL GOH-DBOT-VS01

- organization to conduct desktop exercise for vessel accident/ oil spill response training.
- ii. Inspection of fire fighting facilities and testing of fire fighting capability must be on at least a monthly basis.

32. Oil Spill Response Capability

- a. The Concessionaire is to maintain oil spill containment and recovery equipment at the Terminal for deployment for a 'tier one' spill response, or threat of an escape of oil.
- b. The Terminal is to have an oil spill response management team and equipment capability on contract with a local or international company, for a second level of response.
- c. The GOHR will contract for a national oil spill response for major oil spills.

SUROIL, INC. DBOT PROJECT SOLICITATION ANNEXES: PRODUCT SPECIFICATIONS

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ANNEXES FOR SPECIFICATIONS ARE CALLED FOR IN SCHEDULE 1 OF THE DBOT PROJECT SOLICITATION

ALL ANNEXES FOR PRODUCT SPECIFICATIONS TO BE ADDED WHEN AUTHORITATIVE BASIS BECOMES AVAILABLE, PRIOR TO RELEASE OF THE SOLICITATION

THIS INCLUDES THE ORIGINAL SPECIFICATIONS FOR EACH PRODUCT, THE GUIDELINES FOR HANDLING AND THE MSDS SHEETS

SCHEDULE 2

GOH-DBOT-VS01

Facilities Testing: Acceptance of Construction, During Operations, at facilities title transfer to GOHR

SCHEDULE 3

GOH-DBOT-VS01

SCHEDULE OF KEY DATES

To be established with Concessionaire prior to finalization of the Agreement

.

SCHEDULE 4

GOH-DBOT-VS01

INSURANCES

- 1. INSURANCES DURING CONSTRUCTION. From the Effective Date until the commissioning of the terminal and all supporting facilities, the Concessionaire shall, at its own expense, obtain and maintain in force the following insurances, and any others that may be agreed by the GOHR and the Concessionaire prior to the finalization of the Agreement:
- a. Marine insurance in respect of plant and equipment to be imported into Honduras:
- b. All Risks "Builder's Risk Insurance" to cover the entire works from any and all kinds of damages arising out of any cause whatsoever;
- c. "Third Party Liability Insurance" to cover injury to or death of persons (including those of GOHR and the representatives of the lending institutions) or damages to property caused by the works or by the Concessionaire's vehicles, tools and/or equipment or personnel including its sub-contractors; and
- d. "Workmen's Compensation Insurance" at minimum, as required under the law of the Republic of Honduras.
- 2. INSURANCE DURING COOPERATION PERIOD. During the Operation Period, The Concessionaire shall at its own expense obtain and keep the terminal and all supporting facilities insured with the following types of coverage:
- 2.1 against accidental damage from all normal risks and to level normal for prudent operators of facilities similar to the terminal and supporting facilities, including coverage for the marine facilities and operations.
- 2.2 for its employees as may be required by international or Honduran law.
- 2.3 insurance coverage for risk of loss or damage to the petroleum products in its possession from the moment of custody transfer of products entering the Concessionaire's possession until product has been dispatched and is not on the terminal premises
- 2.4 for pollution for the spillage, leakage or any escape of oil to the sea or on land covering the full scope of operations and services while the petroleum product is in the custody of the Concessionaire, covering damage to facilities and equipment, and third party property, cost of containment of the escaped oil, and the cost of all clean up activities, and litigation resulting from the spillage, leakage or escape of the oil
- 3. The insurances effected shall be no less favorable to the insured in terms of risks covered than that normally effected by owners and operators of similar facilities in respect of their own similar operations.

SCHEDULE 4

4.	must give documentary evidence to the GOHR at the
time the coverage is secured,	at any renewal points and in the event of cancellation
or termination for any reason	from the effective date to the end of the Operation
period	

SCHEDULE 5

GOH-DBOT-VS01

Environmental Impact Assessment and Environmental Guidelines

SCHEDULE 6

GOH-DBOT-VS01

PERMITS AND LICENSES

The GOHR must fill out a first pass on this prior to solicitation to guide the interested parties

The final list of permits and Licenses which must be acquired and maintained during the life of the agreement to be established with Concessionaire prior to finalization of the Agreement

SCHEDULE 7

GOH-DBOT-VS01

Creation and Publishing of General Operations Guidelines

SCHEDULE 8

GOH-DBOT-VS01

Agreement for Product Management: product receipts, storage, and dispatch

SCHEDULE 09

GOH-DBOT-VS01

Sampling, Testing, Measuring, Reporting of Products Received by, Stored in and Dispatched from the Terminal

SCHEDULE 10

GOH-DBOT-VS01

Agreement for Collection of Revenues by the Concessionaire for Product Sold at the Rack

SCHEDULE 11

GOH-DBOT-VS01

Initial GOHR Guidelines for Collection of Product Sales Revenues, Deduction of Fees and Turn Over of Balance of Funds to GOHR

SCHEDULE 12

GOH-DBOT-VS01

Concessionaire Management Systems, Records, Reporting and ISO Compliance

SCHEDULE 13

GOH-DBOT-VS01

CONCESSIONAIRE COMPENSATION BASIS

To be completed by the GOH and the Concessionaire at the finalization of the agreement, showing all fees / compensation

SCHEDULE 14

GOH-DBOT-VS01

FORM OF ACCESSION UNDERTAKING

THIS ACCESSION UNDERTAKING is made the day of 2006
вү
, a private corporation, duly organized and
existing under the laws ofwith its principal address atrepresented by, who is
duly authorized to represent it in this Agreement, hereinafter referred to as
GOHR a government owned and controlled corporation existing under and by virtue of Republic Act No. ZZZZ as amended, with its principal office at the corner of, represented herein by who is duly authorized to represent it in this
Agreement, hereinafter referred to as GOHR.
(Honduras)., a corporation incorporated in Honduras and having its registered office at represented by, who is duly authorized to represent it in this Agreement, hereinafter referred to as (Honduras).
WHEREAS
(A) This Undertaking is supplemental to a project agreement (the "Project Agreement") dated and made between (1) GOHR and (2) whereby has agreed to design, build and operate a petroleum products import terminal with all supporting facilities in Honduras and transfer the same to the GOHR on the Transfer Date (as defined therein).
(B) (Honduras) is a Honduran corporation and a subsidiary of
(C) It is a condition precedent to the effectiveness of the Project Agreement that the parties hereto enter into this Accession Undertaking.
NOW IT IS HEREBY AGREED as follows:

1. Interpretation

SCHEDULE 14

(A)	Terms defined in the Project Agreement shall bear the same meaning herein.
(B)	This Undertaking shall take effect on the Effective Date.
(C)	Clause headings are for ease of reference only.
(D)	In this Undertaking, the singular includes the plural and vice versa.
2.	Accession of (Honduras)
under respectimpor operation (2, 3, 6 decention (B) if theretand in includ	
(C)	shall be jointly and severally liable with
(Hond promp	uras)for the performance of the obligations undertaken byuras) under Clause 2(A) above, and undertakes to the GOHR that is shall, only upon its receipt of written demand from the GOHR, perform such bligations ordance with the provisions of the Project Agreement.
respec	Subject only to the above provisions, the Project Agreement and the cive rights and obligations of the parties thereto under it shall continue in full and effect.
3.	References in the Project Agreement
and aı Agree	m Effective Date, any reference in the Project Agreement to "this Agreement" by reference, whether express or implied, to a clause or provision of the Project ment shall be deemed to be a reference to the Project Agreement and to a or provision thereof as hereby supplemented and amended.
4.	Assignment

SCHEDULE 14

(Honduras) and may for the purposes of arranging or rearranging finance for the Project, assign or transfer all or any part of its rights and benefits under the Project Agreement as hereby supplemented, and give notice to the GOHR when such assignments have been effected and GOHR shall duly acknowledge any such assignment or transfer of which it is given notice. Neither or (Honduras) may assign its obligations under the agreement with prior written confirmation of acceptance by the GOH. In the event of any such assignment of obligations, and (Honduras) will remain responsible for fulfilling the obligations.		
5. Law and Jurisdiction The provisions of Clauses 22, 23 and 24 of the Project Agreement shall apply to this undertaking as if the same were herein repeated in full mutatis mutandis.		
By::		
Telex: Fax :		
The GOHR		
By:		
Telex: Fax :		
(Honduras)		
By:		
Telex: Fax:		

SCHEDULE 15

From: General Counsel to the GOHR

GOH-DBOT-VS01

FORM OF LEGAL OPINION OF THE GOHR'S GENERAL COUNSEL

To: and (Honduras)
Dear Sirs,
I have acted on behalf of the GOHR in connection with an agreement ("the Project Agreement") dated and made between the GOHR(1) and () (2) and an agreement
("the Accession Undertaking" and together with the Project Agreement "the Agreements") dated () and made between
I am of the opinion that:
(i) The GOHR is a public corporation and validly existing under the laws of the Republic of Honduras pursuant to Republic Act No. 6395 (as amended);
(ii) The GOHR has the corporate or other power to enter into the Agreements and to exercise its rights and perform its obligations thereunder, and execution of the Agreements on behalf of the GOHR by the person(s) who executed the Agreements was duly authorized by the GOHR:
(iii) all acts, conditions and things required by the laws and constitution of the Republic of Honduras to be done, fulfilled and performed in order (a) to enable the GOHR lawfully to enter into, exercise its rights under and perform the obligations expressed to be assumed by it in the Agreements, (b) to ensure that the obligations expressed to be assumed by it in the Agreements are valid and enforceable by appropriate proceedings and (c) to make the Agreements admissible in evidence in the Republic of Honduras have been done, fulfilled and performed in compliance with the laws and constitution of the Republic of Honduras;

SCHEDULE 15

GOH-DBOT-VS01

- (iv) the obligations expressed to be assumed by the GOHR in the Agreements are legal and valid obligations binding on the GOHR enforceable in accordance with the terms thereof:
- (v) The GOHR is not entitled to claim any immunity from suit, execution, attachment or other legal process in the Republic of Honduras; and
- (vi) under the Constitution of the Republic of Honduras it is recognized that no law impairing the obligation of contracts shall be passed and consequently the validity of the Agreements and the binding nature of the obligations of the parties thereunder are constitutionally safeguarded.

This opinion is confined to matters of Honduran law and no opinion is expressed as to the laws of any other jurisdiction.

Yours faithfully,

SCHEDULE 16

GOH-DBOT-VS01

DOCUMENTARY REQUIREMENTS FOR THE EFFECTIVE DATE

To be completed by GOHR and included in Solicitation and then to be completed with Concessionaire prior to finalization of the Agreement

1.	Central Bank approval for:
	1.1 any bridge or other loans to be made in foreign currency by to Honduras and for the payment of
	interest thereon and the payment of the principal thereof in foreign currency;
	1.2 incurring by (Honduras) of foreign currency debt from international financial institutions or agencies, including International Finance Corporation and, for the purpose of repaying any bridge loans extended by, and for meeting the balance of the capital requirements of the Project;
	1.3 repatriation ofs investment ins investment as
	allowed by the laws, rules and regulations of the Republic of Honduras on the date the investment is made; and
	1.4 (Honduras) to receive payment in dollars as provided herein and to maintain an offshore dollar bank account or accounts.
	Honduran Government approval of the employment of foreign nationals ervisory, technical and advisory positions and for the positions of president, rer and general manager or their equivalent throughout the Operation Period,
3. the Pro	
	Evidence that under the current law of Honduras, remittance of dividends by (Honduras) to will not be subject to any Honduran
Withho	olding Tax on the amount remitted.

SCHEDULE 16

The approval by the Central Bank, and other relevant Honduran government agencies for the immediate importation into Honduras of all equipment, required for the terminal and supporting facilities, and the payment thereof in foreign currency.
A Certificate of Registration issued by the the appropriate Honduran Government Agency in relation to the Project, confirming that(Honduras) is duly registered to conduct business in Honduras in relation to the project, including but not limited to:-
 6.1 Approval for up to 100% foreign ownership by of
6.3 Full exemption from all custom duties, levies, and assessments and national internal revenue taxes on importation of capital equipment and spare parts until the end of the construction period, with the right to apply for extensions allowable under law, if required;
6.4 Tax credit equivalent to 100% of custom duties and national internal revenue taxes for locally supplied capital equipment;
6.5 Full exemption from any value added tax and any local contractor's tax for (Honduras) and for contractors associated with the Project;
6.6 Exemption from all customs duties, levies, and assessments, and national internal revenue taxes for importation and unrestricted use of the consigned equipment for the Project.
7. A Certificate of the Investment Coordination Committee approving the Project.
A Certificate of the National Economic and Development Authority for the burposes of the Uniform Currency Act.
An opinion of the Securities and Exchange Commission to the effect that is not required to obtain a license to do business in Honduras.
10. An opinion of the National Electrification Administration and the Energy Regulatory Board confirming that the operation by of Its own power generation at the terminal will not constitute a public utility so as to require a ranchise, certificate of public convenience or other similar license.

SCHEDULE 17

GOH-DBOT-VS01

FORM OF PERFORMANCE UNDERTAKING

To: and, together with the	and	(Honduras)	
which expression includes each	i Beneficiary)		
Dear Sirs,			
products terminal with all supp project agreement dated wholly-owned by us) and (Honduras) was	orting facilities to an and an acce joined as a party	to make an investment in a Pobe built in Honduras recorded in the made between the GOH, (which easion undertaking dated [], we to the project ented by the accession undertaking	n a ch is /hereby
	nd amended from	n time to time, the "Agreement")	
obligations of the GOHR under Republic of Honduras, and that	the Agreement ca the Republic of H such obligations a	ents we hereby confirm that the arry the full faith and credit of the Honduras will see to it that GOHF as they fall due. Such obligations of Honduras	e R will be
breach or termination thereof of shall be settled by Arbitration in Arbitration rules in force at the	or the failure to pa n XXXXXXXX, XXX date of this unde	or relating to this undertaking, or the late payment of any su XXXXX in accordance with the YY ertaking. The appointing authority, the number of arbitrators	m due <mark>YYYYYYY</mark> y shall be
three and the language to be u	ised in the arbitral n or appeal to any	Il proceeding shall be English. The courts in connection with any q	e parties

We wave for ourselves and our assets and revenues to the extent permitted by applicable law any and all immunity from suit, execution or other legal process; notwithstanding the foregoing, we do not waive any such immunity in respect of property which is (i) used by a diplomatic or consular mission of Honduras, (ii) property of a military character and under the control of a military authority or defense agency and (iii) located in Honduras and dedicated to a public or governmental use.

SCHEDULE 17

Yours faithfully,
THE REPUBLIC OF HONDURAS
By: Title:
Dated

SCHEDULE 18

PENALTY OF ON DELAY OF COMPLETION DATE
To be established with Concessionaire prior to finalization of the Agreement
The following formula shall apply in computing the amount of penalty to be paid by to THE GOHR due to delays in the startup of operations caused by:
Daily penalty TIMES number of days of delay after an initial "Grace Period" of 30 calendar days
= XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
where:
Amount to be paid by to the GOHR for each day of delay in respect of which is required to make a payment pursuant to Clause (5.03???) Such amount shall be payable on the last day of each calendar month.
The penalty is to be paid in readily available Us dollars to a bank designated by the GOHR. Delays in payment, will be subject to the late payment interest penalty established in
It is understood by both parties that the final completion date may be delayed until sometime after the initial target completion date established in this agreement. Both parties may request a shift in the then current target date, but the other party is not under any obligation to accept the proposed change.
Any agreed changes will be formally documented along with any concessions or considerations which were agreed to as part of the acceptance of the target date change
There is an automatic 30 day grace period after the agreed completion date, before the late penalties due from to the GOHR are triggered under this agreement

SCHEDULE 19

GOH-DBOT-VS01

DRAFT DBOT TERMINAL PROJECT PERFORMANCE BOND

The following is the draft Performance Bond requested by the GOH from a bank/ institution acceptable to the GOH, requested at the time of the proposal, and required by GOH prior to award of the Supply Contract.

DBOT TERMINAL PROJECT PERFORMANCE BOND

To	, hereinafter
called the GOH, WHEREAS	, hereinafter , hereinafter
called the Supplier, has undertaken, in p	ursuance of an agreement for the design, build,
operation and transfer of title for petroleu	um product import terminal arising out of its proposal
to the GOH dated	, and the GOH's notice to the
Concessionaire dated	, that its proposal was successful and the
	warded to the Concessionaire, and whereas it has
been stipulated by the GOH in the said (Contract that the Concessionaire shall furnish the
GOH with a confirmed irrevocable Bank	Guarantee by a bank acceptable to the GOH for the
	npliance with the Concessionaire's performance
obligations in accordance with the Contr	act and that this Guarantee will enter into full force
within two (2) business days following th	e notice of award to the Concessionaire,
AND WHEREAS we have to give the Conce	ssionaire a guarantee:
	Guarantors and responsible to the GOH, on behalf
	\$ 10,000,000) \$ ten million and we undertake to pay
	f the GOH's first written demand declaring the
	e Contract and without cavil or argument, any sum
	Guaranteed) as aforesaid, without the GOH needing
	for the demand or the sum specified therein, in
	ransferred to the account designated by the GOH at
the time the demand is made.	
We also undertake to confirm receipt of the	demand within twenty-four (24) hours of receipt at
the address shown for the GOH on the	
the dudiess shown for the COTT on the C	omana.
The quarantee is valid, in its full amount, unt	til, which is approximately sixty
	te for start of operations (receipt of first cargo of oil
	of the project Contract, and shall be replenished to
	or full payout within ten (10) calendar days.
·	. ,
	Signature and Seal of the Guarantors
Date	
Address	

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11	ATTACHMENT 11: Contact Information for Additional Maps and Data for the Country of Honduras

ATTACHMENT 1: Draft Terms and Conditions for Project Agreement

PROJECT AGREEMENT

for DESIGN, BUILD, OPERATE AND TRANSFER ("DBOT")

MULTIPLE GRADE REFINED PETROLEUM PRODUCTS IMPORTATION TERMINAL AND ALL SUPPORTING FACILITIES

SERVING THE COUNTRY OF HONDURAS

DATED
DESIGN, BUILD, OPERATE AND TRANSFER ("DBOT")
PROJECT AGREEMENT
For:
A MULTIPLE GRADE REFINED PETROLEUM PRODUCTS IMPORTATION TERMINAL AND ALL SUPPORTING FACILITIES SERVING THE COUNTRY OF HONDURAS
IN PUERTO CASTILLA, DEPARTMENT OF COLON, HONDURAS
BETWEEN
REPRESENTING THE GOVERNMENT OF HONDURAS
AND
THE CONCESSIONAIRE

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KNOW ALL MEN BY THESE PRESENTS,
This Agreement is made and entered into by and between:, a private corporation duly organized and existing under the laws of with its principal address at, who is duly
authorized to represent it in this Agreement, hereinafter referred to as the Concessionaire;
- and -
The Government of the Republic of Honduras, as represented by GOHR, and hereinafter referred to as the GOHR, a fully owned private corporation created by the Government of the Republic of Honduras for the purpose on entering into the Agreement, duly organized and existing under the laws of the Republic of Honduras, with its principal address at, Honduras, and represented by its, who is duly authorized to represent the GOHR in this Agreement.
RECITALS
WHEREAS GOHR has called for the development of a new refined petroleum product importation facility and all supporting infrastructure to meet the immediate and future refined petroleum product import requirements of the Republic of Honduras.
Whereas the GOHR issued a notice to the public inviting interested parties to submit proposals to design, build, operate and transfer ownership of these facilities at the agreed time to the GOHR, on a 'Fast Track' basis.
Whereas in response to such notice from the GOH, the Concessionaire submitted a proposal to undertake the design, construction and operation of a such a facility with approximately petroleum storage tanks with a total working capacity of along with a berth for reception of ocean-going petroleum tankers for the delivery of product and the construction of a loading rack for the dispatch of products into tank trucks, along with the conscientious operation of the facilities for the period of time that the Concessionaire has ownership of the new facilities.
Whereas the GOH, after having evaluated project proposals and selecting the most advantageous to the GOH, issued a letter of award to the Concessionaire following which it was agreed that the Concessionaire will provide the requested facilities and operations services to the GOHR on the solicited basis.
Whereas pursuant to the said letter, the Concessionaire has agreed to complete the design, construct and operate, and the GOHR has agreed to accept, the new facility upon the terms and subject to the conditions hereinafter set forth.
Whereas the Concessionaire has caused the formation of a Honduran subsidiary corporation called Corporation, (hereinafter referred to as the Concessionaire (H) when it is required to distinguish between the two entities) for the purpose of undertaking certain of the work in respect of the building and operating of the new terminal and all supporting facilities and

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performing other undertakings specified in this Agreement.

NOW IT IS HEREBY AGREED as follows:

- 1. **Definition of Terms**
- 1.01 In this Agreement and in the recitals hereto:
- "Accession Undertaking" means an agreement in the form substantially set out in *Schedule 14* pursuant to which the Concessionaire (H) agrees to become a party hereto as therein provided.
- "Central Bank" means the Central Bank of Honduras.
- "Completion Date" means the day upon which the Concessionaire certifies that the terminal facilities with all supporting infrastructure are capable of operating in accordance with the Operating Parameters, and has successfully completed its testing. See *Schedule 3*.
- "Custody Transfer Points" means the metering or measuring points referred to in **Schedule 8**, where custody and risk of loss of the petroleum product changes from one party to another.
- "Downtime" and "Equipment Outage" shall have the meaning given to it in Schedule 1i.
- "Emergency" means any unforeseen circumstances affecting the terminal and/or supporting facilities during which, in the sole judgment of the Concessionaire, there is a serious risk of fire, explosion, escape of oil, injury to personnel or the actual occurrence of such events which requires the disruption, restriction or delay of normal operations by the Concessionaire until it is judged by the Concessionaire that normal activities can safely and reasonably be resumed. See *Schedule* 12.
- "Force Majeure" shall have the meaning specified in Clause 16 of this Agreement.
- "Fuel Management Agreement" means the agreement to be entered into pursuant to *Clause 9*, for the receipt, storage and dispatch of product at the terminal, as shown in *Schedule 8*.
- "Fuel Supply Procedures" means the procedures and parameters for the supply and delivery of refined petroleum products by the GOHR or selected supplier described in *Clause 9* and *Schedule 8*.
- "GOHR" means the designated representative of the Government of Honduras, duly authorized and charged with entering into the Agreement for the DBOT products terminal, approving all final designs, monitoring construction with the Concessionaire, representing the Government of Honduras in management of the operations with the Concessionaire during the period of operations, including the Products Management Agreement (*Schedule 8*) and the Revenues Collection Agreement (*Schedule 10*), and then receiving title of the terminal and all supporting facilities at the end of the operating period as used throughout this Agreement.
- "Hours of Operation" means the planned, regular hours that the terminal is open, adequately

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manned, operating and ready to receive product by tanker and/or to dispatch trucks loaded at the in terminal loading rack as used in *Schedule 7*.

"Month" means the calendar month

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"Operating Parameters" means the operating parameters of the Terminal and associated facilities as described in <i>Schedule 7</i> .
"Operation Period" means the agreed period of(XX) years from the later of the Target Completion Date and the Completion Date, as the same may be extended from time to time pursuant to the terms hereof, up to the date that the title to the terminal and all supporting facilities is transferred to the GOHR.
"Performance Undertaking" means the agreement referred to in Clause and Schedule 17.
"Prime" means, on any day, the rate per annum which is the average of the prime or equivalent rates of Citibank, N.A., New York, Bankers Trust Company, New York and Chemical Bank of New York as publicly announced from time to time, in force on such date and, for the purposes of this Agreement, a change in any such rate shall be effective on and from the day on which it is announced or, if such announcement provides for such change to come into effect on a later date, on and from such later date.
"Product Material Safety Data Sheets" ("MSDS") are the industry characterization for the product related to safe handling as noted in <i>Schedule 1</i> , and updated from time to time by the GOHR as specifications change and as documented by the party the GOHR awards the product supply contract to, each time this supplier delivers product to the terminal.
"Product Specifications" means the specifications of the refined petroleum products which will be delivered to the terminal, stored there until dispatch and then dispatched, with changes as notified by the GOHR from time to time, as the GOH judges to be in the best interests of the GOHR and recorded on <i>Schedule 1</i> .
" Project " means the design, construction, equipping, completion, testing, commissioning and operation of the terminal and supporting facilities.
"Project Scope" means the scope of the work of the Concessionaire for the project as described in <i>Schedule 1</i> and <i>Clause 2</i> .
"Site" means the site for the terminal described in Schedule 1.

"Specifications" or "Design and Construction Specifications" means the specifications and the referenced standards on which they are based or the design and construction of the terminal

"Storage Fees" means the fees payable by the GOHR to the Concessionaire in respect of the total tank shell capacity of the terminal actually in service on a barrels-per-day basis during any billing

and all supporting facilities as described in Schedule 1.

period, with the basis and escalation as explained in *Schedule 13*.

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"Supply Procedures" means the procedures and parameters for the requesting of the supply of product by the GOH, its designated representative, and or end users of product and or distributors of product who will send tank trucks for loading at the terminal rack as described in *Clause 9* and *Schedule 8*;

"**Tanker** Berth" means the berth for reception and offloading ocean-going petroleum tankers, to the maximum stated limits in *Schedule 1*, to be designed, constructed and operated by the Concessionaire as part of the terminal supporting facilities.

"Tank Shell Capacity" shall mean the tank working capacity plus un-pumpable bottoms, plus allowance for expansion and safety of the tank as designed and built by the Concessionaire and verified by independent inspection, which is to be utilized as part of the basis for the calculation of storage fees for the Concessionaire.

"Tank Truck Loading Rack" or "Loading Rack" means the facility inside the terminal's secure area for the reception and loading of tank trucks with product being dispatched from the terminal as described in *Schedule 1*.

"Tank Working Capacity" shall have the meaning given to it in Schedule 1.

"Target Completion Date" means, subject to *Clause 5*, and *Schedule 3* the date in the construction schedule when construction is completed and testing and inspection has been completed and the terminal is deemed suitable for start of operations

"T-Bill Rate" means, in respect of any day for which interest based on such rate is being calculated under this Agreement, the rate per annum at which Honduran Treasury Bills (with terms of 30 days or, if no such bill with a term of 30 days is issued, such bill which is issued having the term nearest to 30 days) were issued by the Honduran Government on the Friday immediately preceding such day, or, if there were no Treasury Bills issued on such Friday, on the day immediately preceding such Friday on which Treasury Bills were issued provided that if, for 30 days no Honduran Treasury Bills are issued, then "T-Bill Rate" shall mean such alternative rate of interest as may be agreed between ______ and the GOHR at such time, or, in the absence of agreement, the rate per annum certified and evidenced by ______ to be its effective cost of borrowing at such time.

"Terminal" means the terminal facilities built, or to be built, pursuant to *Clause 3*, and all associated infrastructure including berth(s), loading rack(s), storage tanks, water treatment facilities, firewater, etc, and can be referred to as the "Terminal and Supporting Facilities" as described and specified in *Schedule 1*.

"Throughput Fees" means the fees to be paid by the GOHR to the Concessionaire based on the actual volume of oil that was dispatched out of the terminal as established in *Schedule 13*.

"Transfer Date" means the day following the last day of the Operation Period; as shown in **Schedule 3**.

Any reference in this Agreement to a "Clause" or a "Schedule" is a reference to a clause hereof or a schedule hereto.

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In this Agreement:

- 1. "\$" and "Dollar(s)" denote lawful currency of the United States of America;
- 2. "Lps" and "Limpiras(s)" denote lawful currency of the Republic of Honduras;
- 3. "barrel" denotes a volumetric unit of 42 US gallons;
- 4. "gal" denotes a US gallon, of 42 to the barrel;
- 5. "API" denotes the American Petroleum Institute;
- 6. "ASTM" denotes the American Society of Testing and Materials;
- 7. "SDWT" denotes the Summer Dead Weight Tonnage for a vessel; and

8.	"ISO	Certified"	denotes	
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2. The Project

- 2.01 The Concessionaire having inspected the Site and finding it physically suitable for the construction and operation of a the proposed terminal and supporting facilities shall cause the design, development, construction, completion, testing and commissioning of the proposed petroleum products import terminal and supporting facilities, capable of operating at a level within the established Operating Parameters and in accordance with the Standards and Specifications and the Project Scope as defined in *Schedule 1*.
- 2.02 Subject as herein provided, all costs of the Concessionaire in connection with the building of the proposed terminal and supporting facilities as provided in *Clause 2.01* shall be borne by the Concessionaire and the Concessionaire shall be responsible for arranging all necessary funding including any available preferential credits.
- 2.03 The GOHR shall make available or cause to be made available the Site to the Concessionaire for the purpose of building and operating the terminal and supporting facilities as designated in the agreed scope of work at no cost to the Concessionaire for the period from the Effective Date until the Transfer Date and the GOHR shall be responsible for the payment of all real estate taxes and assessments, rates and other charges in respect of the Site and the buildings and improvements thereon. The GOHR will not be responsible for providing any other sites, away from the agreed primary site for the project unless specifically stated in this agreement. If the Concessionaire elects to use, buy, lease, other sites to supplement the site provided by the GOHR, away from the primary project site, all costs will be for the Concessionaire.
- 2.04 The GOHR shall ensure that all necessary access to and from the Site is made available to the Concessionaire, its employees, contractors, subcontractors and advisors and that all Necessary utilities as provided in *Schedule 1* are made available at the Site as necessary for the construction, testing and commissioning of the terminal and supporting facilities.

- 2.05 The Concessionaire shall be responsible for the importation and transportation of equipment to the Site, the obtaining and maintaining of them in a current and in effect status of building, construction, operating and other permits, licenses and approvals for the Project, and of visas and work permits for foreign personnel, the recruitment of local labor and compliance with all local and other regulations including the payment of all fees and costs thereof. The Concessionaire will maintain a readily available log of all such information for GOH's inspection at any time and the Concessionaire will give the GOHR notice as each required permit and license is obtained, and in the event that any such permissions lapse for any reason from the effective date of this Agreement, until the Transfer date.
- 2.06 The GOHR shall supply petroleum products of the required quantity and quality as stated in *Schedule 1* at the required time for the testing and commissioning of the terminal and supporting facilities, shall construct, install and connect any agreed power transmission line to provide power to the site at the rates agreed and in the amounts agreed in *Schedule 1* by start of operations, but not prior to the start of the construction period. All costs of the GOHR in connection with its obligations under this *Clause 2.06* shall be borne by the GOHR.
- 2.07 The Concessionaire is responsible for providing the on-site utility water, sea water and utility air and their acquisition and delivery systems that the Concessionaire determines is required for the testing, commissioning and safe operation of all facilities and equipment. All costs of the Concessionaire in connection with its obligations under this *Clause 2.07* shall be borne by the Concessionaire.
- From the date hereof until the Transfer Date, the Concessionaire shall, directly or indirectly, own the terminal and all supporting facilities and all the fixtures, fittings, machinery and equipment on the Site or used in connection with the terminal which have been supplied by it or at its cost and it shall operate and manage the owned facilities for the sole purpose of receiving product for the GOHR, storing such product until dispatch, and dispatching the product as directed. This means by way of example, but not as an exclusive listing, that the Concessionaire shall not use the berths for transshipping cargoes for third parties unless requested to do so by the GOHR: Use of the tanks or other terminal facilities or equipment to handle product or goods or cargo of any type for some other party or for some other purpose other than importation of products into Honduras, unless requested to do so by the GOHR, or, whether the terminal and supporting facilities are used or not, engaging in any other line of business, commercial endeavor, profit-seeking venture or commercial speculation of any type in the Republic of Honduras without specific prior written authorization by the GOHR is not permitted. In the unlikely event that the Concessionaire finds that competent, reliable, and necessary support services meeting international standards are not available in Honduras, and provision of such services is outside the established scope of services in this Agreement, the Concessionaire may request permission to add such services within the scope of the Agreement, and agreement by the GOHR will not be unreasonably withheld. By way of example, this could include, but not be limited to, the provision of tug, launch and pilot services, maintenance of navigational aids, or establishment of a petroleum products testing laboratory. To the extent that either party requests any other services or activities outside the scope of this Agreement, and the other party agrees to perform such services, the costs, fees, compensation and all other commercial aspects of the relationship will be confirmed at the time agreement is reached between the parties, and documented as a new **Schedule** in this Agreement.
- 2.09 Until the Transfer Date, the GOHR shall, at its own cost and risk, provide for the

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purchase, supply and delivery of all refined products to the terminal by ocean tanker or barge or other means as may be deemed necessary by the GOHR and shall work with the Concessionaire to cause all products to be received at the terminal on a planned basis, stored according to established guidelines for the control of product quality and quantity, efficiently scheduled for dispatch from the facilities, and ensure the collection of the revenues from the sales of the products dispatched from the terminal, according to the standards, agreements and controls established in *Schedules 8,9,10 and 11*, and the GOHR shall pay to the Concessionaire the fees as provided for in *Schedule 13*.

- 2.10 During the Operation Period, the GOHR shall ensure the provision of all agreed utilities to the terminal as provided in *Schedule 1*, provided that the GOHR shall have no liability under this sub-clause where such utility is withdrawn as a result of the Concessionaire failing to pay for the utilization of the same.
- 2.11 On the Transfer Date, the original Transfer date, or the Transfer Date resulting from any agreed and documented extension of time, the terminal and all supporting facilities and equipment shall be transferred by the Concessionaire to the GOHR without the payment of any compensation.
- 2.12 The parties hereto shall mutually collaborate with each other in order to achieve the objectives of this Agreement and the performance by each of the parties hereto of their respective obligations hereunder. Any cost for any work by the Concessionaire prior to notice from the GOHR after the Effective Date to commence work, will be at the risk of and for the cost of the Concessionaire. All costs associated for the implementation of the Concessionaire's obligations under this contract will be for the account of the Concessionaire. All compensation for the Concessionaire by the GOHR for fulfilling his obligations under this Agreement will only be those delineated in *Schedule 13*.

3. Construction of the Terminal and Supporting Facilities

- 3.01 The Concessionaire shall be responsible for the design, construction, equipping, completion, testing and commissioning of the terminal and all supporting facilities, consistent with the Scope, Standards and Specifications of *Schedule 1*, and shall commence such work upon being instructed by GOHR in writing following the Effective Date of the Agreement.
- 3.02 In pursuance of its obligations under Clause 3.01, the Concessionaire shall have full right to:
- (i) call for tenders and award contracts for work and service related to the project with or without tender:
- (ii) arrange for the preparation of detailed designs for the Project and approve or reject the same;
- (iii) appoint and remove consultants and professional advisers for the Project;
- (iv) purchase new and/or suitably refurbished equipment for the Project;
- (v) appoint, organize and direct staff, manage and supervise the Project;

- (vi) enter into contracts for the supply of materials and services, including contracts with the GOHR; and
- (vii) Do all other things necessary or desirable for the completion of the Project in accordance with the Project's Scope, Standards and Specifications and generally accepted engineering standards for the petroleum industry by the Target Completion Date.
- 3.03 In pursuance of its obligations under *Clause 3.01*, the Concessionaire shall, where possible, award contracts to Honduran contractors and suppliers of materials and services provided that, in its opinion, the quality, delivery times, costs, reliability and other terms are comparable to those offered by foreign contractors and/or suppliers.
- 3.04 The GOHR shall be entitled at its own cost to monitor the progress and quality of the construction and installation work and for this purpose and the Concessionaire shall:
- (i) ensure that the GOHR and any experts appointed by the GOHR in connection with the Project are afforded reasonable access to the Site at times to be agreed with the Concessionaire and GOHR, provided that such access does not materially interfere with the works comprising the Project or expose any person on the Site to any unnecessary risk or danger;
- (ii) make available for inspection at the Site copies of all plans and designs;
- (iii) within two months of the completion of the construction, supply the GOHR, free of cost, with one set of reproducible copies and five sets of white print copies (or equivalent) of all "as built" plans and designs and a complete set of all drawings, schematics, material lists, equipment specifications and instructions in a digitized format with registered copies of any supporting software required to read, manipulate, copy or edit the Project related data;
- (iv) at least three months prior to the Transfer date, provide the GOHR, free of cost, with similar plans, documents and digitized information for any changes to the Project facilities and equipment which took place during the course of the Operations Period; and
- (v) At least once before the design of the terminal and supporting facilities is finalized, and construction has started, fully review the final design with the GOHR in a manner which readily compares the final design with all of the criteria in *Schedule 1* so that the GOHR may confirm that the Project will satisfy its requirements. To the extent that the GOHR identifies any discrepancies between the final design and the criteria in *Schedule 1*, the GOHR will give notice that a change is required. To the extent that the GOHR requests a change in the final design that is not reasonably required to fulfill the Concessionaire's requirements as shown in *Schedule 1*, any costs for such changes will be for the cost of the GOHR. The Concessionaire will in all cases, however, remain fully responsible for the constructed terminal and supporting facilities meeting the criteria shown in *Schedule 1*.
- 3.05 The Concessionaire:
- (i) shall in no way represent to any third party that, as a result of any review by the GOHR, the GOHR is responsible for the engineering soundness or operational capability of the project;

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- (ii) shall, subject to the other provisions of this Agreement, be solely responsible for the economic and technical feasibility, operational capability and reliability of the terminal and all supporting facilities; and
- (iii) shall always remain responsible for: the safety and well being of any and all personnel on the site, regardless of whether they are employees, visitors, service providers or clients; the safe custody of the product in the terminal and supporting facilities from moment of delivery to dispatch from the site to avoid loss, quality deterioration, fire, explosion and or escape of the oil; and the safety and integrity of the equipment and facilities on the site, and will act at all times to preserve and conserve the on-site safety of all.
- 3.06 The GOHR shall ensure that all infrastructural requirements and utilities agreed to for the completion of the Project in accordance with the Scope, Standards and Specifications by the Target Completion Date are made available in a timely fashion and accordingly shall at its own cost, inter alia:
- (i) give vacant possession of the Site to the Concessionaire by not later than fifteen (15) days after the Effective Date:
- (ii) ensure that there is provided to the Site by not later than fifteen (15) days after the Effective Date access roads capable of taking traffic to and from the Site and ensure that the Concessionaire has access to the Site no later than this period to begin construction of a temporary fence to enclose the Site, during the construction period, to the extent determined by the Concessionaire to be desirable or necessary; and
- (iii) ensure that there is provided to the Site water, electricity, telephone service as provided and at the times set out in *Schedule 1* as noted previously in *Clause 2*.
- 3.07 The GOHR warrants and undertakes that it has already at the time of this Agreement or will according to any schedule developed with the Concessionaire for a time subsequent to the signing of this Agreement, present to the Concessionaire all reasonably available information so that the Concessionaire may make an informed decision about the suitability of the Site for the construction and operation of the terminal and supporting facilities including for its construction and operation within all environmental and other Honduran and local laws and regulations.

4. Scope, Standards, Specifications and Operating Parameters

- 4.01 The terminal and supporting facilities shall be designed, constructed, tested, inspected, certified and equipped by the Concessionaire in accordance with the Scope, Standards and Specifications set out in *Schedule 1*.
- 4.02 Following the Completion Date, the terminal and supporting facilities shall be Capable of operating within the Operating Parameters set out in *Schedule 1*.
- 4.03 The GOHR will be given the opportunities for reviews and inspections and will be provided with as-built information as defined in *Clause 3*.
- 4.04 To the extent that there is a conflict between any of the specifications or standards

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referenced in *Schedule 1*, or any Honduran or international rules or regulations, then generally the more restrictive shall apply. To the extent that the Concessionaire may wish to resolve such conflicts in a different manner, the Concessionaire may at any time propose such a resolution to the GOHR and agreement shall not be unreasonably withheld.

4.05 To the extent that there is a deficiency in the definition of the Scope, Standards, Specifications and/or operating requirements defined in *Schedule 1*, the Concessionaire shall give notice to the GOHR at the earliest possible moment so that the deficiency may be resolved through mutual agreement.

5. **Project Timetable**

- 5.01 The parties shall work together in order to endeavor to achieve the timely completion of the Project in accordance with the following timetable shown in *Schedule 3*:
- 5.02 In the event that the Effective Date occurs, or the instructions referred to in *Clause 3.01* are given more than five (5) days after the Effective Date, the Target Completion Date set out in *Clause 5.01 (Schedule 3)* shall be adjusted to occur later by the number of days that the Effective Date occurs, or such commencement instructions are given.
- 5.03 In the event that, due to the fault of the Concessionaire, the Concessionaire fails to complete the Project construction as provided in *Clause 4.01*, the Agreement calls for a good faith "grace period" during which no penalty is applicable to the Concessionaire. However if delays continue beyond this "grace period" (as defined in *Schedule 3*), the Concessionaire shall pay the GOHR for each day thereafter until the Completion Date as provided in *Schedule 18*.
- In the event that, due to the fault of the Concessionaire, the two intermediate progress 5.04 check points and/or Completion Date has not occurred on or before the day falling ninety (90) calendar days after the two intermediate progress check point dates and/or the Target Completion Date, and it does not appear reasonably likely that the Completion Date will ever occur, the Concessionaire shall pay to the GOHR the sum listed in Schedule 3 and shall immediately transfer title to all equipment, material, facilities constructed and other resources it has title to inside Honduras for the Project, by way of liquidated damages but shall have no other liability to the GOHR in respect of such failure to complete the Project other than that provided in *Clause 15.01*. Upon such sum becoming payable, or being paid, by the Concessionaire prior to it becoming due, the Concessionaire shall have no further liability to make payments pursuant to Clause 5.03. The Concessionaire will, however, not withstanding the above payment of liquidated damages in the form of the sum in Schedule 3 and the transfer of all assets for the project in Honduras to the GOHR, remain liable for any fees, payments or other agreed compensation to its sub contractors, service providers, and equipment and material suppliers due to them as a result of the Concessionaire's efforts to meet its obligations under the Agreement, whether completed in a timely manner or not, or not completed.
- 5.05 Upon substantial completion of the Project, the Concessionaire may not certify that, for the terminal and all supporting facilities, it has successfully completed its testing and that accordingly the Completion Date has occurred unless the terminal and supporting facilities are able to fully operate at the required throughput conditions as required in *Schedule 1*, and no fees will be due from the GOHR until such capability is demonstrated. The demonstration of such safe

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operational capacity will be consistent with the guidelines established in *Clause 6* and *Schedule 2*.

6. Testing Program: Construction, Operation, and Transfer of Title

- 6.01 Prior to the start of construction, the parties shall meet and agree to procedures, standards, protective settings and a program for the testing of the terminal and all supporting facilities in accordance with *Schedule 2*.
- 6.02 The Concessionaire shall give to the GOHR not less than fifteen (15) days notice, or such lesser period as the parties hereto may agree, of its intention to commence any testing covered in **Schedule 2** during the construction period.
- 6.03 During the Operation Period, in order to ensure the proper functioning and maintenance of the terminal and supporting facilities, the Concessionaire shall establish a program of routine inspection, testing and maintenance consistent with recommended practices in the petroleum industry and consistent with all specifications and equipment manufacturers' recommendations, meeting or exceeding the minimum testing requirements called for in *Schedule 2*.
- 6.04 The GOHR will be advised by the Concessionaire of this on-going testing, inspection and maintenance program on regular intervals with sufficient lead time to arrange for a technical expert to witness and verify.
- 6.05 Review of such plans and results as called for in *Clause 6.01* and *6.03* by the GOHR shall not be used by the Concessionaire or any party as a confirmation that the plan is adequate or the results consistent with safe, reliable long-term operation, and the Concessionaire remains responsible at all times for the effectiveness and completeness of the planned testing, inspection and maintenance program it develops to ensure that the facilities and equipment remain in a safe and reliable condition over the planned operating life of the project, with no major maintenance, repairs or replacement due as a result of any failure in this program, at the time of transfer of ownership to the GOHR at the end of the Operation Period.
- 6.06 The cost of any retained technical expert for this purpose, appointed by the GOHR, will be for the account of the GOHR.
- 6.07 The GOHR and/or its experts shall be entitled to be present at any testing against the schedule provided by the Concessionaire as noted above.
- 6.08 Forthwith upon the completion of any testing, the Concessionaire shall certify whether or not the equipment or facility being tested or inspected or maintained has satisfied any such Test or inspection, and shall authorize its continued service and provide the GOHR with a copy of such certificates.
- 6.09 In the event of a disagreement between the GOHR or its technical expert and the Concessionaire regarding the validity of the inspections and/or testing, or in the event of any significant deviation by the Concessionaire from the inspection, testing, maintenance and repair plans established in *Schedule 2* of this Agreement, the GOHR shall immediately notify the Concessionaire. The Concessionaire will revert to the plan and/or redo the testing as required.

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6.10 Either party may request a change in the inspection, testing, maintenance and repair program established in *Schedule 2* from time to time. Any change will be documented in an updated *Schedule 2* at the time of the agreement for any change. The Concessionaire bears the responsibility for the efficacy of the inspection, testing, maintenance and repair program, and any agreed changes to it, throughout the life of this Agreement.

7. Conditions Precedent

- 7.01 It shall be a condition precedent to this Agreement that by (DATE), or such later date as the parties hereto may agree, the following are supplied to the GOHR by the Concessionaire, each in form and substance satisfactory to the GOHR or that such a condition precedent is waived by GOH:
- (i) copies of the Memorandum and Articles of Association of the Concessionaire, as certified by the company secretary of the Concessionaire in a manner satisfactory to the GOHR;
- (ii) copies of resolutions adopted by the Concessionaire 's Board of Directors authorizing the execution, delivery and performance by the Concessionaire of this Agreement certified by the company secretary of the Concessionaire in a manner satisfactory to the GOHR;
- (iii) written approval of the Central Bank to make payments to the Concessionaire in readily available Dollars as provided in this Agreement;
- (iv) a bond or guarantee of a financial institution in a form and with a bank or financial institution acceptable to the GOHR in respect of the Concessionaire 's obligations under *Clause* 5.04 which remains in effect at least 180 days after the planned construction completion date established in the Schedule by the Concessionaire with the GOHR; and
- (v) A copy of the Articles of Incorporation of the Concessionaire (Honduras), meeting all requirements for registration in Honduras, certified by the company secretary of the Concessionaire in a manner satisfactory to the GOHR.
- 7.02 It shall be a condition precedent to this Agreement that by **DATE** or such later date as the parties hereto may agree, the following are supplied to the Concessionaire by the GOHR, each in form and substance satisfactory to the Concessionaire or that such a condition precedent is waived by the Concessionaire:
- (i) copies of the Charter and By-Laws of the GOHR, and of resolutions adopted by its Board of Directors authorizing the execution, delivery and performance by the GOHR of this Agreement, each certified by the GOHR in a manner satisfactory to the Concessionaire;
- (ii) copies of such consents, licenses, permits, approvals, and registrations by or with any governmental agency or other authority in Honduras as may be necessary to ensure the validity and binding effect of this Agreement and to permit the performance by the GOHR or its designated representative of its obligations under this Agreement;

- (iii) a certificate of the corporate secretary of the GOHR confirming that all necessary corporate and other approvals and actions have been duly obtained and taken for the execution, delivery and performance by the GOHR of this Agreement;
- (iv) if the GOHR is leasing the property to be leased to the Concessionaire, a copy of the lease to the GOHR of the Site, certified by the corporate secretary of the GOHR in a manner satisfactory to the Concessionaire together with the agreement of the lessor and the GOHR that, in the event the GOHR shall fail to pay any rental or perform any of its obligations when due under the said lease, the Concessionaire or its assignee shall be entitled, at its sole option, to pay such rental or perform such obligation on behalf and for the account of the GOHR;
- (v) evidence that the lease referred to in paragraph (iv) above has been recorded in the office of the Register of Deeds and that the Concessionaire's interest in the Site has been duly recorded on such lease and in the office of the Register of Deeds; and
- (vi) a legal opinion of the GOHR's General Counsel in the form set out in Schedule 15; and
- (vii) Evidence of the approval of the GOHR to the Concessionaire's occupation and use of the Site, as contemplated in this Agreement and at no cost to the Concessionaire, from the Effective Date to the Transfer Date.
- 7.03 It shall be a condition precedent to this Agreement that by **DATE**, or such later date as the parties hereto may agree, the following are received by the Concessionaire, each in form and substance satisfactory to the Concessionaire or that such a condition precedent is waived by the Concessionaire:
- (i) a Performance Undertaking of the Republic of Honduras in respect of GOHR's obligations hereunder duly executed and delivered by the Republic of Honduras in the form set out in **Schedule 17**;
- (ii) copies of all such consents, licenses, permits, approvals and registrations by or with any governmental agency or other authority in Honduras as may be necessary to ensure the validity and binding effect of the Performance Undertaking, and to permit the performance by the Republic of Honduras of its obligations thereunder;
- (iii) a legal opinion of the Secretary of Justice of the Republic of Honduras as to the validity, enforceability and binding effect of the Performance Undertaking in form and substance satisfactory to the Concessionaire;
- (iv) the Accession Undertaking, duly executed by the parties to the Accession Undertaking;
- (v) each of the documents referred to in **Schedule 16**; and
- (vi) An Environmental Compliance Certificate for the Project.
- 7.04 If, on or before the **DATE**, or such later date as the parties hereto may agree, the Effective Date has not occurred, the GOHR shall reimburse and indemnify the Concessionaire for all costs and liabilities incurred by the Concessionaire in respect of its obligations under *Clause 3* provided that the GOHR has given its prior written approval to the Concessionaire for incurring

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such cost or liability; the GOH's obligations under this *Clause 7.04* shall be effective notwithstanding that the Effective Date has not occurred or that all or any of the conditions precedent set out in *Clauses 7.01*, *7.02* and *7.03* have not been satisfied or waived.

- 7.05 In the event that the lease referred to in *Clause* 7.02(iv), or any of the approvals, consents, registrations, exemptions or other rights, laws or regulations referred to in *Clause* 7.02, *Clause* 7.03 or *Schedule* 16 is subsequently terminated, withdrawn, rescinded or amended, or any new required extension, approval, consent or registration cannot be obtained and as a result thereof the interest of the Concessionaire in the Site, the Project or the terminal and all supporting facilities and/or the Concessionaire's expectation of its economic return (net of tax or other imposition) on its investment is materially reduced, prejudiced or otherwise adversely affected (including, without limitation, any restriction on the ability to remit funds in dollars outside of Honduras), then the parties hereto shall meet and endeavor to agree on amendments to this Agreement and if after sixty (60) days no such agreement has been reached the provisions of *Clause* 17.01 shall apply.
- 7.06 The GOHR and the Concessionaire shall meet and jointly certify that this Agreement is no longer conditional and that the Effective Date has occurred.
- 7.07 If all the conditions set forth in *Clauses 3.01, 7.01, 7.02* and *7.03* hereof have not been satisfied as of <u>DATE</u>, the parties hereto shall meet and endeavor to agree a new effective date; if no agreement is reached on or before <u>DATE</u>, this Agreement shall, subject to *Clause 7.04*, be declared automatically cancelled (except as required in respect of *Clause 7.04*) and the parties shall have no liability with respect to each other except as provided in *Clause 7.04*.

8. Operation of the Terminal and Supporting Facilities

- 8.01 The Concessionaire shall, at its own cost, be responsible for the management, operation, maintenance and repair of the terminal and all supporting facilities during the Operation Period and shall use its best endeavors to ensure that the terminal and all supporting facilities are in good operating condition and capable of receiving, storing and dispatching the products supplied, or caused to be supplied, by the GOHR in a safe and reliable manner within the Operating Parameters.
- 8.02 Notwithstanding *Clause 8.01*, it is understood and agreed by the GOHR that in order to undertake necessary overhaul, maintenance, inspection and repair the Concessionaire shall be entitled to periods of equipment or selected facilities Downtime as provided in *Schedule 2* and, by not later than the Completion Date and each anniversary thereof, the parties hereto shall agree to an annual schedule for any Downtime during the course of the succeeding year which shall be revised as provided in *Schedule 2*. In this regard, the Concessionaire will endeavor to develop and implement a program for inspection, testing, maintenance and repair that does not require the full shutdown or restriction in capacity of the terminal and supporting facilities.
- 8.03 The Concessionaire undertakes that during the Operation Period, it will operate the terminal and supporting facilities in accordance with *Clause 10* and *Schedules 7, 8,9,10, 11* and 12.
- 8.04 In pursuance of its obligations under *Clause 8.01*, the Concessionaire shall have full right

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to:

- (i) enter into contracts for the supply of materials and services, including, contracts with the GOHR;
- (ii) appoint and remove consultants and professional employees and service companies;
- (iii) purchase replacement equipment;
- (iv) appoint, organize and direct staff, manage and supervise the terminal and supporting facilities;
- (v) establish and maintain regular inspection, maintenance and overhaul procedures;
- (vi) establish its own on-site security program at the start of construction and continuing through to the Transfer Date; and
- (vii) Do all other things necessary or desirable for the safe and efficient running of the terminal and all supporting facilities within the Operating Parameters.
- 8.05 the GOHR shall ensure that all infrastructural requirements and utilities agreed to for the operation of the terminal and supporting facilities within the Operating Parameters are made available in a timely fashion and accordingly shall at its own cost, inter alia, :
- (i) ensure that there is provided to the Site water, electricity, telephone, as provided in **Schedule 1** the cost of the utilization of which shall be for the Concessionaire 's account
- 8.06 The GOHR and the Concessionaire shall, from time to time, meet and discuss and agree to safety guidelines recommended by the Concessionaire for the operation of the terminal and all supporting facilities within the Operating Parameters, and following such agreement the Concessionaire shall operate the terminal and all supporting facilities within such safety guidelines. The Concessionaire will use these discussions to update the General Operations Guidelines in **Schedule 7** as well as **Schedules 8-12** as appropriate
- 8.07 The Concessionaire shall operate the terminal and all supporting facilities in accordance with all environmental and other Honduran and local laws and regulations in force at the date of this Agreement and shall comply with any changes in such laws and regulations and with any new laws and regulations, provided that complying with such changes or new laws and regulations would not:
- (i) result in the terminal and supporting facilities being unable to operate in accordance with the Scope, Standards and Specifications established in *Schedule 1* or within the Operating Parameters; or
- (ii) in the opinion of the Concessionaire, result in the interest of the Concessionaire in the Site, the Project or the terminal and all supporting facilities and/or the Concessionaire 's expectation of its economic return (net of tax or other imposition) on its investment being materially reduced, prejudiced or otherwise adversely affected. If it would, then the parties shall meet and endeavor

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to agree on amendments to this Agreement and if after sixty (60) days no such agreement has been reached, the provisions of *Clause 17.01* shall apply.

If a conflict develops between established operating parameters and environmental laws or regulations which result in the conditions described in *Clauses 8.07 (i)* and/or *(ii)*, then the parties will endeavor to resolve the conflict on a mutually agreeable basis.

8.08 Availability of the terminal facilities to receive cargo and/or dispatch products via loading tank trucks at the terminal loading rack will be determined by reference to Downtime as provided in *Schedule 2* and the parties will agree upon an annual schedule of availability which shall be reviewed from time to time; in agreeing to such availability, *Schedule 2*, the Concessionaire shall take account of the requirements of the GOHR but in no event shall the Concessionaire be obliged to agree to availability in excess of, or at times other than, that permitted after taking account of planned Downtime or in any circumstances where, in the sole opinion of the Concessionaire, the product in the terminal, the facilities or the personnel in the terminal are at serious risk for injury, damage or loss.

9. Supply of Petroleum Product to the Terminal

- 9.01 Throughout the Operation Period, the GOHR shall at all times supply and deliver or cause to be supplied and delivered all refined petroleum products to be received, stored and dispatched by the terminal under the control of and in the custody of the Concessionaire from receipt at the delivery vessel flange until loaded in the tank truck at the loading rack (or otherwise dispatched from the terminal).
- 9.02 The cost of the products to be supplied by the GOHR pursuant to *Clause 9.01* shall be for the GOHR's account.
- 9.03 All delivered products to be supplied by the GOHR shall be of the specification, quality and grades described in *Schedule 1*, except that the GOHR may from time to time increase or decrease any particular volume of product, increase the total volume, vary the volume for seasonal or other demand-related conditions and/or change the specifications of products being delivered, and agreement of the Concessionaire to receive, store and dispatch such products under the changed conditions will not be unreasonably withheld.
- 9.04 All product being delivered to the terminal shall be sampled and tested as provided in **Schedule 9**, and the Concessionaire shall, at all times, be entitled to reject any product if the results of any test relating to it show that it does not comply with the current agreed Specifications. The GOHR shall not have any liability to the Concessionaire for damage to the terminal facilities or contamination and/or degradation of product quality resulting from the product not complying with the Specifications but accepted by the Concessionaire for delivery into the terminal.
- 9.05 The GOHR shall endeavor that at all times the necessary stocks as estimated to be required by the Concessionaire for planned dispatch operations are stored in tankage. "Stockout" or inability to promptly and efficiently receive a delivery cargo for lack of ullage in the terminal, for any reason other than gross error on the part of the Concessionaire, shall not be the responsibility of the Concessionaire, and the Concessionaire will not have any liability or responsibility for any

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costs or damages sustained by any party for any stockout or delay in delivery except for gross error on its part.

9.06 The GOHR and the Concessionaire shall enter into a Products Management Agreement as further described in *Schedule 8* pursuant to which the Concessionaire shall agree to manage and coordinate the product import requirements in close coordination with the GOHR, its supplier, and all buyers and distributors of product in Honduras, but shall have no responsibility for supply security in respect of the products delivered by or caused to be delivered by the GOHR to the facility. This Agreement will govern the terms and condition for planning and execution of product reception, storage and dispatch of products to be delivered to the terminal. Either party may request a change to *Schedule 8* and *9* at any time, and agreement will not be unreasonably withheld by the other party. Any agreed changes to *Schedule 8* and/or its supporting *Schedule 9* will be documented in amended schedules as appropriate. Any compensation for costs or changes in fees will be agreed to at the time the change is accepted by the parties.

10. <u>Collection of Product Sales Revenue, Fee Retention, and Deposit of Balance of Collected Revenues</u>

- 10.01 The Concessionaire will provide to the GOHR services for the billing and collection of revenues for sale of products dispatched from the terminal as defined in *Schedule 10* and supported by *Schedule 11*. Either party may request a change in the Agreement for such services at any time, and agreement will not be unreasonably withheld by the other party. Any changes to the Agreement for such services will be documented at the time of the change with *Schedules 10* and *11* amended as appropriate.
- 10.02 **Schedule 11** covers the specific guidelines required by the GOHR for collection of revenues, rules for depositing the balance of funds collected after the Concessionaire has withheld the estimated fees due to the Concessionaire for the then-current month, basis for verifying customers are approved for dispatch, basis for extending credit to clients, basis for collection, and basis for changing prices at the loading rack. From time to time, the GOHR will require a change in the terminal rack price and will notify the Concessionaire of such price changes and the effective date. The Concessionaire will propose to the GOHR the details of the system that it intends to employ for the collection of sale revenues, retention of estimated allowed fees, and depositing of revenues exceeding retained fees, as directed by the GOH, for the GOH's review. The parties agree to endeavor to resolve any disagreements regarding this proposed system prior to the start of terminal operations. This proposed system will include recommended lines of credit and other payment conditions for all clients by the GOHR and this will be updated from time to time depending on client performance and market conditions
- 10.03 The GOHR may at any time audit, or cause to be audited, the records and procedures of the Concessionaire related to the collection of revenues, retention of estimated fees and payment as directed the balance of funds to the GOH.
- 10.04 The Concessionaire shall not have responsibility or liability for receivables from the sale of dispatched products which cannot be collected if the Concessionaire can show that it followed the guidelines of the GOHR for credit allowances, documentation and controls. The GOHR will bear the responsibility and cost of collecting any delinquent amounts when credit was extended by the Concessionaire under the GOHR guidelines.

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10.05 The ability of the Concessionaire to withhold funds collected from the sale of products dispatched from the terminal is intended to serve as one of the guarantees that the payments to the Concessionaire will be made in a timely manner. In the unlikely event that the parties may agree that a third party or the GOHR will perform the services provided in *Schedules 10* and *11*, for any reason, or that the GOHR requires the services of such a third party, or elects to provide these services itself, due to its decision, at its sole discretion, to terminate these services by the Concessionaire, at any time, the GOHR will require that funds are withheld from the collected revenues, by the party providing the collection services and deposited into an account as directed by the Concessionaire, equal to the estimated amount of fees to be paid to the Concessionaire in the then-current month, based on an estimate provided by the Concessionaire at the beginning of the then-current month.

11. **Fees**

- 11.01 at the time of implementing this agreement, the parties will agree to the total level of Fees for the Storage Fee and for the Throughput Fee, and the nature, type and method of implementation of any escalators for these fees through the life of the agreement. These agreements regarding the amount of the fees and the basis for any escalation will be as shown in **Schedule**.
- 11.02 In respect of each Month from the Completion Date until and including the Month in which the Transfer Date falls, the GOHR shall pay to the Concessionaire (Honduras) Terminal Storage Fees and Terminal Throughput Fees as provided in *Schedule 13*.

In respect of each Month, the Concessionaire will deliver to the GOHR an invoice in respect of Storage Fees and Throughput Fees for such Month, and a statement of a running balance of amounts withheld by the Concessionaire from the rack revenues collected by the Concessionaire for the sale of all products dispatched, and the GOHR shall pay to the Concessionaire the amount of such invoice, less the withheld revenues, within fifteen (15) days after the delivery of such invoice and statement of amounts withheld.

Any good faith over retention or under retention of estimated allowed fees by the Concessionaire will be corrected in the following month as long as such error is within plus or minus the variation agreed in *Schedule 13*. Withheld amounts in excess of the allowed good faith error must be remitted as specified in *Schedule 13*.

- 11.03 All fees payable to the Concessionaire pursuant to this Clause shall be paid together with Value Added Tax??? thereon (which shall be separately stated in all invoices) in Dollars in respect of the Dollar portion and in Limpiras in respect of any Limpira portion, and each sum payable shall be increased so as to ensure that after the GOHR has deducted therefrom any and all taxes or charges required to be deducted therefrom by the GOHR there remains a sum equal to the amount that would have been payable to the Concessionaire had there been no requirement to deduct or withhold such taxes or other charges.
- 11.04 The exchange rate to convert the agreed fees in Dollars to Honduran Limpiras will be that which is in effect, on average, for the month in which the fee payment was due. If the Concessionaire continues with the revenue collection service for the GOH as specified in

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Schedules 10 and **11**, the Concessionaire will have the right to convert the retained fees, in Honduran Limpiras, to Dollars at any time during the month at its sole discretion. Any losses or gains to the Concessionaire for exchanging at a rate different than the above references rate will be for the risk or benefit of the Concessionaire.

- 11.05 The GOHR will pay to the Concessionaire the Storage Fee independent of the volume of product handled by the Concessionaire in the month. This Storage Fee is due in full on the First day of the then current month. The GOHR will pay to the Concessionaire a Throughput Fee based on the greater of the actual throughput for the month or the minimum monthly volume noted in **Schedule 13**. The Throughput Fee is due on the first of the then current month for the actual volumes dispatched from the terminal in the prior month.
- 11.06 The Storage Fee is intended to cover the full cost of amortizing the investment in the terminal and supporting facilities, covering the Concessionaire's fixed costs, independent of the level of throughput, compensating the Concessionaire and/or his lenders for the risks involved in the Project, and providing a reasonable profit element for the Concessionaire over the life of the operating agreement.
- 11.07 In addition to allowing the Concessionaire a profit element for growth in throughput at the terminal, the Throughput Fee components cover the Concessionaire's variable cost for the added throughput, the cost of managing the product delivery system per *Schedules 8* and *9*, the services for the revenue collection per *Schedules 10* and *11*, the cost of obtaining and maintaining ISO certifications, as required in *Schedule 12*, and the added costs of the other management system activities required per *Schedule 12* for the duration of the Operations period.
- 11.07 Failure of the Concessionaire to fully comply with the performance obligations covered by the Throughput Fee components may result in the reduction or elimination of these fee payments until such time as performance which fully complies with the obligations is restored. The GOHR will give notice of such fee reduction to the Concessionaire at the time the deficiency is noted and, if the Concessionaire has not corrected the deficiency within fifteen (15) days to the GOHR's satisfaction, the reduced Throughput Fee will come in to effect until the Concessionaire can demonstrate to the GOHR's satisfaction that the deficiency is corrected.
- 11.08 To the extent that actual circumstances beyond the control of the Concessionaire cause the Storage Fee and/or the Throughput Fee to be inadequate to provide for the intended purposes, the Concessionaire may request an adjustment in the fees. The parties will then endeavor to ensure that the Concessionaire's original financial expectations are met under the changed conditions by considering appropriate fee adjustments. Failing to reach a mutually satisfactory agreement on any fee adjustment within thirty (30) days of the Concessionaire requesting a change in fees, the parties shall meet and endeavor to agree on amendments to this Agreement and, if after sixty (60) days no such agreement has been reached, the provisions of *Clause 17.01* shall apply.
- 11.09 If any amount payable by the GOHR hereunder, whether in respect of fees or otherwise, is not paid on or before the due date, the GOHR shall pay interest thereon, calculated at the rate of Prime plus 2% p.a. if the amount was due in Dollars, and the T-Bill Rate plus 3% p.a. if the amount was due in Limpiras, from the date upon which it was due until the date upon which such amount is received by the Concessionaire.

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- 11.10 All payments made by the GOHR hereunder shall be made free and clear of and without any deduction for or on account of any off-set, counterclaim, tax or otherwise, except as required by law of the Republic of Honduras at the time this Agreement was entered into, or in payment of penalties referred to in *Clause 5.03*.
- 11.11 If the GOHR disputes the amount specified in any invoice, it shall so inform the Concessionaire following receipt of such invoice when any basis for a dispute comes to the attention of the GOHR; if the dispute is not resolved by the due date, the GOHR shall pay the undisputed amount on or before such date and the disputed amount shall be resolved within fifteen (15) days of the due date for such invoice. Any excess sum paid to the Concessionaire, or withheld by the Concessionaire, shall be refunded together with interest pursuant to *Clause* 11.09 from the due date of such invoice.
- 11.12 If it is determined that the Concessionaire has over retained funds for its estimated fees from the collected revenues for products sold to clients lifting product at the rack, beyond the agreed good faith variation, then the Concessionaire will deposit the excess retention amount as designated by the GOHR within seven (7) days of such over retention being confirmed by the GOHR along with interest as noted in *Clause 11.08* for the time the excess funds withheld were not properly deposited to the account of the GOHR.
- 11.13 The GOHR will cause, or will allow the Concessionaire if the Concessionaire has agreed to the collection of revenues for sales of products dispatched from the terminal, that Terminal Storage Fees in the amount equal to three months be deposited in an Escrow account in a bank suitable to both parties to protect against late payment of either Terminal Storage Fees or Throughput fees by the GOHR. The Concessionaire will be entitled to draw down the funds in the Escrow account any time that payments for either or both types of fees are late in excess of fifteen (15) days. Replenishment of the Escrow account for any funds drawn down for this purpose will be replenished commencing with next revenues collected for sale of product dispatched from the rack by the concessionaire if the Concessionaire is performing this revenue collection service, or by the GOHR if other are performing this service. The Concessionaire must give the GOHR notice of intention of drawing down funds from the Escrow account for this purpose. Neither party may draw down funds from this account for any other purpose though the end of the Concession Period.
- 11.14 at the time of implementing this agreement, the parties will agree to the total level of Fees for the Storage Fee and for the Throughput Fee, and the nature, type and method of implementation of any escalators for these fees through the life of the agreement. These agreements regarding the amount of the fees and the basis for any escalation will be as shown in **Schedule____.**

12. **Foreign Exchange**

- 12.01 All sums payable to the Concessionaire by the GOHR in Dollars shall be payable in Dollars as directed by the Concessionaire, in same-day funds not later than 11:00 a.m., Eastern Standard time, on the day when payment is due.
- 12.02 Any costs incurred by the GOHR in connection with the remittance of funds outside Honduras may be deducted from the amount so remitted up to a maximum amount equal to

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0.15% of the amount remitted. All other costs incurred in making payments in accordance with the terms of this Agreement shall be for the GOHR's account.

- 12.03 All sums payable to the Concessionaire by the GOHR in Limpiras shall be payable in Limpiras in ______, in same-day funds not later than 11:00 a.m., Eastern Standard time, on the day when payment is due, as directed by the Concessionaire.
- 12.04 For any payments to the Concessionaire by the GOHR in Limpiras, in the event that any payment by the GOHR to the Concessionaire, whether pursuant to judgment or otherwise, upon prompt conversion to Dollars and transfer to the Concessionaire as provided in *Clause 12.01*, does not result in payment of the Dollar amount stipulated in this Agreement, the Concessionaire shall be entitled to immediate payment, and shall have a separate cause of action, for the Dollar deficiency. However, should any such payment (upon conversion to Dollars and transfer to the Concessionaire as aforesaid) result in the receipt by the Concessionaire of a sum in excess of the Dollar amount stipulated in this Agreement, the Concessionaire shall pay the excess amount to the GOHR immediately upon the Concessionaire's receipt of notice of the overpayment and its agreement to the same. This applies only to those payments made by the GOHR using the conversion rate for Dollars and Limpiras that the time the payment is due. If the Concessionaire elects to convert from Limpiras to Dollars at intermediate times using the withheld revenues in his possession for the estimated terminal fees due in the then current month, then this clause does not apply.
- 12.05 All sums payable by the Concessionaire to the GOHR, whether pursuant to judgment or otherwise, shall be payable in same-day funds not later than 11:00 a.m., Eastern Standard Time, on the day when payment is due, as directed by the GOHR.
- 12.06 If any amount payable by the Concessionaire, whether pursuant to judgment or otherwise, is not paid on or before the due date, the Concessionaire shall pay interest thereon, calculated at the rate of Prime plus 2% p.a. if the amount was due in Dollars, and the T-Bill rate plus 3% p.a. if the amount was due in Limpiras, from the date that it was due until the date upon which such amount is received by the GOHR.
- 12.07 Nothing in the above shall be construed to limit the Concessionaire's right to exchange collected Limpiras to Dollars from the withheld revenues to cover the estimated fees for services from the sale of products as products are dispatched from the terminal, and to remit said funds to its accounts either in Honduras or elsewhere, as and when it elects to do so.

13. **Insurance**

13.01 The Concessionaire shall recommend the basis for insurance coverage, limits of coverage, deductibles and all other terms and conditions for the insurance coverage program called for in *Schedule 4*. The Concessionaire shall be responsible to ensure that there is effected insurance as provided in *Schedule 4* and shall provide the GOHR with copies of all policies of insurance effected by it. Review by the GOHR of the overall insurance program and/or any insurance policy secured by the Concessionaire under the terms of this Agreement is not to be construed by any party that the GOHR has responsibility for guaranteeing that the amounts, terms and conditions of coverage provide adequate coverage.

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- 13.02 Subject to the terms of *Clause 16.07*, the proceeds of claims against such insurances, except third party liability and workmen's compensation insurance, with respect to damage or other casualty to the terminal and all supporting facilities shall be paid in the Republic of Honduras and applied by the Concessionaire to the extent necessary to repair or restore the terminal and the supporting facilities to their previous condition.
- 13.03 The Concessionaire must advise the GOHR within forty-eight (48) hours of the event of any cancellation of any insurance, or lapse in coverage, or failure to renew, for any reason from the time of the effective date to the Date of Transfer, and advise when the coverage is to be in place and resumed. The Concessionaire bears the risk of uninsured losses as the result of any lapse in insurance coverage.
- 13.04 The Concessionaire must advise the GOHR of any claim on any insurance policy by the Concessionaire in excess of fifty thousand Dollars (\$50,000), at the time the claim is made by the Concessionaire.
- 13.05 The Concessionaire must advise the GOHR when any damaged facilities or equipment is returned to its previous condition, and will be tested and inspected and certified by the Concessionaire as suitable for returning to service in a safe and efficient manner, with notices when the testing, inspection and certification has been completed.
- 13.06 The Concessionaire bears the responsibility throughout the period of this Agreement of returning any damaged equipment or facilities required to meet is obligations under this Agreement to its previous condition, if damaged in any way, regardless of whether or not the Concessionaire is able to recover any insurance coverage for the damage, and on the most expeditious schedule possible regardless of the Concessionaire's ability to collect any insurance funds prior to any expenditures by the Concessionaire for returning the facilities or equipment to its previous condition.

14. Transfer of Ownership

- 14.01 On the Transfer Date, the Concessionaire shall transfer to the GOH, free from any lien or encumbrance created by the Concessionaire, or any lien or encumbrance as a result of the failure of the Concessionaire to pay any agents, suppliers, service providers or others with expectations of payment for any reason related to the Concessionaire's obligations under this Agreement for the Project, and without the payment of any compensation by the GOHR, all its rights, title and interest in and to the fixtures, fittings, plant and equipment (including test equipment and special tools) and all improvements comprising the terminal and all supporting facilities.
- 14.02 The Concessionaire will assign to the GOHR the benefits which may be derived from any insurance claims made, but not paid, or in the process of being made, prior to the Transfer Date, as required to cover the cost of the completion of any work still required to return damaged equipment and/or facilities to its previous condition.
- 14.03 The Concessionaire will retain the right to the benefits of the payment of any claim still outstanding at the time of the Transfer date for damaged equipment and facilities which the Concessionaire has already returned to its original condition per the guidelines established in *Clause 13* above.

- 14.04 At least three (3) months prior to the Transfer Date, the GOHR and the Concessionaire shall meet and agree upon the inventories involved of all equipment and facilities, with special attention to recent and next due inspections and tests for the equipment and facilities, and the mechanics of transfer and security arrangements, but the Concessionaire shall not be liable for any discrepancies between such inventories and the actual fixtures, fittings, plant and equipment transferred provided that following agreement on inventories the Concessionaire shall exercise the same care regarding the fixtures, fittings, plant and equipment and all improvements therein as it did prior to agreeing the same and provided further that the GOHR shall be entitled to provide a security unit within the Site.
- 14.05 The GOHR has the right to unrestricted access, except for reasons of safety, to the terminal site and all supporting facilities and equipment as well as the inspection, testing, maintenance, repair records of the Concessionaire for all equipment and facilities so that the GOHR may confirm the condition of all equipment and facilities prior to the Transfer Date.
- 14.06 The terminal and all supporting facilities and all other equipment transferred pursuant to this **Clause 14** shall be transferred on an "as is" basis and any warranties which would otherwise be implied by statute or otherwise, including, without limitation, warranties as to title, fitness for the purpose, the absence of patent or inherent defects, description or otherwise of whatsoever nature will be excluded and, after the Transfer Date, the Concessionaire shall be under no liability whatsoever to the GOH, except as noted below, in respect of the operation or otherwise of the terminal and supporting facilities by the GOHR, and the GOHR shall indemnify and keep indemnified the Concessionaire against any liability to any person arising from the use or operation of the terminal and supporting facilities after the Transfer Date, provided however that the Concessionaire shall subrogate or assign to the GOHR any and all rights and benefits which it is able to subrogate or assign of any unexpired warranties in respect of the building, plant and equipment of the terminal and supporting facilities under applicable laws or otherwise.
- 14.07 To the extent that it can be demonstrated by the GOHR that the Concessionaire failed to inspect, test, maintain and repair the terminal and supporting facilities consistent with the agreed program for such work and/or failed to maintain suitable records confirming the condition of the equipment and facilities, then the GOHR shall be entitled to claim against the Concessionaire for the difference in the condition due to normal wear and tear and the actual condition of the equipment and facilities.
- 14.08 It is understood by both parties that, at the time of the transfer, all of the equipment and facilities will be in safe working condition, having been inspected, tested, maintained and repaired under the agreed program, and will require no significant repair or replacement within the initial six (6) months following the transfer of title to the GOHR to be able to continue to operated in a safe and efficient condition.
- 14.09 The GOHR shall be responsible for all costs and expenses (including legal fees and taxes or duties) incurred in connection with the transfer referred in this *Clause 14* and shall at its own cost obtain or effect all governmental and other approvals, licenses, registrations and filings and take such other action as may be necessary for the transfer contemplated in this *Clause 14*, and reimburse the Concessionaire on demand for all such costs and expenses incurred by the Concessionaire in respect of such transfer, if the Concessionaire advised the GOHR that it was

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incurring such costs at the time that the Concessionaire became aware that such charges were being levied against the Concessionaire, and the GOHR agreed that the costs should be paid by the Concessionaire for later reimbursement.

15. **Liability**

- 15.01 In the event that, in breach of its obligations hereunder, the Concessionaire fails to construct the terminal and the supporting facilities consistent with the terms of this Agreement, the Concessionaire shall reimburse and indemnify the GOHR for all costs and liabilities incurred by the GOHR in respect of the GOH's obligations under *Clause 2* and or *Clause 3*.
- 15.02 The Concessionaire's liability to the GOHR arising from any breach of this Agreement or otherwise in connection with the design, construction and operation of the terminal and supporting facilities shall be limited to payments as provided in *Clauses 5.03, 5.04* and *15.01* and the penalties as provided in *Schedule 18*.
- 15.03 The GOHR shall indemnify and hold the Concessionaire, its officers and employees harmless against any claims of any person who directly or indirectly suffers as a result of an interruption of product supply or any other disruption to supply arising out of or in connection with this Agreement, and any actions or omissions of the Concessionaire, its officers or employees in connection with the same, except for gross error, or its own failure to perform its obligations in a timely manner on the part of the Concessionaire.
- 15.04 Subject to *Clause 15.03*, the Concessionaire shall hold the GOHR, its officers and employees free of and harmless from any claims or suits of any third party, other than claims for economic loss, arising from the Concessionaire's operation of the terminal.
- 15.05 Except where otherwise stated in this Agreement, the duties, obligations and liabilities of the parties hereto are intended to be several and not joint or collective, and nothing contained in this Agreement shall be construed to create an association, trust, partnership or joint venture amongst the parties hereto and each party shall be liable individually and severally for its own obligations under this Agreement.

16. **Force Majeure**

- 16.01 No failure or omission to carry out or observe any of the terms, provisions or conditions of this Agreement shall give rise to any claim by any party hereto against any other party or be deemed to be breach of this Agreement if the same shall be caused by or arise out of:
- (i) (other than as referred to in paragraph (ii) below), any war, declared or not or hostilities, or of belligerence, blockade, revolution, insurrection, riot, public disorder, expropriation, requisition, confiscation or nationalization, export or import restrictions by any governmental authorities, closing of harbors, docks, canals, or other assistances to or adjuncts of the shipping or navigations of or within any place, rationing or allocation, whether imposed by law, decree or regulation by, or by compliance of industry at the insistence of any governmental authority, or fire, unusual flood, earthquake, volcanic activity, storm, lightning, tide (other than normal tides), tidal wave, perils of the sea, accidents of navigation or breakdown or injury of vessels, accidents

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to harbors, docks, canals, or other assistances to or adjuncts of the shipping or navigation, epidemic, quarantine, strikes or combination of workmen, lockouts or other labor disturbances, or any other event, matter or thing, wherever occurring, which shall not be within the reasonable control of the party affected thereby; or

- (ii) war, declared or not or hostilities involving the Republic of Honduras, or of belligerence, blockade, revolution, insurrection, riot, public disorder, expropriation, requisition, confiscation or nationalization by or involving the Republic of Honduras, export or import restrictions by any governmental, regional or municipal authorities of or within the Republic of Honduras, closing of harbors, docks, canals, or other assistances to or adjuncts of the shipping or navigation of or within the Republic of the Honduras, rationing or allocation, whether imposed by law, decree or regulation by, or by compliance of industry at the insistence of, any governmental authority of or within the Republic of Honduras, or any other event, matter or thing, wherever occurring, which shall be within the reasonable control of the GOHR or any agency or regional or municipal authority thereof, each of the foregoing events, matters or things being called "Force Majeure" in this Agreement.
- 16.02 Notwithstanding *Clause 16.01*, the GOHR (i) shall not be entitled to claim for itself Force Majeure in respect of any Force Majeure mentioned in sub-paragraph (b) of *Clause 16.01*; and (ii) shall not be relieved of its obligation to make payments of Storage Fees or Throughput Fees as provided in *Clause 11.01* by the occurrence of any Force Majeure mentioned in sub-paragraph (b) of *Clause 16.01* whether affecting the GOHR or the Concessionaire.
- 16.03 The party invoking Force Majeure shall:
- (i) notify the other parties as soon as reasonably possible by fax, telex, email or cable of the nature of the Force Majeure and the extent to which the Force Majeure suspends the affected party's obligations under this Agreement; and
- (ii) Resume performance of its obligations as soon as possible after the Force Majeure condition no longer exists.
- 16.04 If Force Majeure applies prior to the Completion Date, the parties will meet to discuss a revised timetable for the completion of the Project and, if the Force Majeure has applied for a period in excess of one hundred and eighty (180) days and such Force Majeure is mentioned in sub-paragraph (b) of *Clause 16.01*, the provisions of *Clause 17.01* shall apply.
- 16.05 If Force Majeure applies by the occurrence of any Force Majeure mentioned in subparagraph (a) of *Clause 16.01* during the Operation Period, the Operation Period shall be Extended by a period equal to that during which the effect of the Force Majeure applies provided that, if such effect applies for a period in excess of one hundred and eighty (180) days, the parties hereto will meet to discuss the basis and terms upon which the arrangements set out in this Agreement may be continued.
- 16.06 The parties hereto will consult with each other and take all reasonable steps to minimize the losses of either party resulting from Force Majeure.
- 16.07 If any event of Force Majeure occurs which causes damage to the Project or the terminal and its supporting facilities, and such event or such damage would not ordinarily be insured

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against by the GOHR, then the Concessionaire shall not be obliged to reinstate the terminal and supporting facilities, or, as the case may be, complete the building of the same, until the parties hereto have agreed upon the terms for such reinstatement or completion in a manner which will ensure that the Concessionaire's economic return on its investment is substantially maintained and not prejudiced in any material way and the GOHR agrees that it shall promptly, and in good faith, enter into discussions with the Concessionaire to reach such agreement.

17. **Buyout**

- 17.01 If the circumstances set out in *Clause 7.05, Clause 8.07, Clause 16.04, Clause 16.07* or *Clause 18* arise or if, not earlier than X years after the Completion Date, the GOHR gives not less than ninety (90) days notice to the Concessionaire that either it wishes to close the terminal and supporting facilities, or take ownership and control of the terminal and supporting facilities, the GOHR shall purchase all the Concessionaire's right, title and interest in and to the terminal and all supporting facilities and thereupon all the Concessionaire's obligations hereunder shall cease.
- 17.02 If at any time during the Operation Period, the GOHR has failed to ensure the due payment of any sum due hereunder within **XX** months of its due date then, upon the Concessionaire giving to the GOHR not less than ninety (90) days notice requiring the GOHR to buy out the Concessionaire, the GOHR shall purchase all the Concessionaire's right, title and interest in and to the terminal and all supporting facilities and thereupon all the Concessionaire's obligations hereunder shall cease.
- 17.03 In respect of any transfer of the terminal and supporting facilities pursuant to *Clauses 17.01* and *17.02*, the provisions of *Clause 14* (other than *Clauses 14.01* and *14.02*) shall apply thereto.
- 17.04 Subject to *Clause* 17.04, the purchase price in Dollars, payable pursuant to *Clause* 17.01, will be no more than the total amount of the Storage Fees, (but not the Throughput Fees) payable to the Concessionaire for the remaining time of the Operation Period, discounted to the net present value at the interest rate of Prime in effect at the time of the original Agreement, plus percent, and the GOHR shall purchase all the Concessionaire's right, title and interest in and to the terminal and all supporting facilities and thereupon all the Concessionaire 's obligations hereunder shall cease pursuant to *Clause* 11.01 until the Transfer Date.
- 17.05 If the provisions of *Clause 17.01* apply prior to the Completion Date, the purchase price payable shall be an amount equal to the aggregate of all the costs, expenses and liabilities incurred by the Concessionaire in connection herewith as estimated by an independent accountant jointly appointed by both parties and subject to a maximum amount of \$_____XXXX_______, plus an amount equal to ten percent (10%) of such aggregate, provided such additional amount shall not be payable if the provisions of *Clause 17.01* are applicable pursuant to *Clause 16.04*.
- 17.06 Completion of a buyout pursuant to *Clause 17.01* shall take place on the date of the expiry of the notice specified therein, at which time the GOHR will pay to the Concessionaire the purchase price calculated in accordance with *Clause 17.03* or, as the case may be, *Clause 17.04* and payable in Dollars, and the Concessionaire shall warrant that following such buyout the terminal and supporting facilities shall be free from any lien or encumbrance created by

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the Concessionaire, or as a result of the Concessionaire's failure to meet its obligations to pay for Project goods and services, including by way of example liens from contractors, material suppliers, or service providers due to the Concessionaire's failure to pay them.

17.06 In the event that the provisions of *Clause 17.01* apply pursuant to *Clause 16.04*, then there shall be deducted from the sum payable pursuant to *Clause 17.04* an amount equal to the value, if any, of any insurance proceeds received by the Concessionaire in respect of the event leading to the operation of the provisions of *Clause 16.04*.

18. Change in Circumstances

In the event that, as a result of any laws or regulations of the Republic of Honduras, or any agency or other body under the control of the Government of the Republic of Honduras, or any regional or municipal authority thereof, coming into effect after the date hereof; or as a result of any such laws or regulations (including any official interpretation thereof which the Concessionaire has relied upon in entering into this Agreement) in force at the date hereof being amended, modified or repealed; or as a result of an increase in the cost of insurances or inability to renew insurances (unless such increase is due solely to the Concessionaire's prior performance in the operation of this or other terminals and supporting facilities), the interest of the Concessionaire in the Site, the Project or the terminal and all supporting facilities and/or the Concessionaire's expectation of its economic return (net of tax or other imposition) on its investment is materially reduced, prejudiced or otherwise adversely affected (including, without limitation, any restriction on the ability to remit funds in Dollars outside of Honduras), then the parties hereto shall meet and endeavor to agree to amendments to this Agreement and, if after ninety (90) days no such agreement has been reached, the provisions of *Clause 17.01* shall apply.

19. **Benefit of Agreement**

- 19.01 The GOHR may not assign or transfer all or any part of its rights, benefits or obligations hereunder, provided that this Clause shall not prevent the GOHR from merging or consolidating with any other company and/or agency which is wholly owned by the Republic of Honduras where the surviving entity adopts and becomes fully liable to perform the GOH's obligations hereunder.
- 19.02 The Concessionaire may not, subject to *Clause 19.03*, transfer all or any of its obligations hereunder, without the specific prior consent of the GOHR but may, for the purposes of arranging or rearranging finance for the Project, assign or transfer to any person providing finance to the Project all or any part of its rights and benefits hereunder, but not its obligations, and the GOHR shall duly acknowledge any such assignment or transfer of which it is given notice. The Concessionaire may transfer its obligations under this Agreement to a third party with the prior approval of the GOHR. To the extent that the GOHR does approve a transfer of some or all of the obligations of the Concessionaire under this Agreement, the Concessionaire will remain responsible for performance of its obligations.
- 19.03 The importation into Honduras of all equipment for the Project and all other work in connection with the Project which necessarily has to be performed in Honduras and which the Concessionaire agrees to be responsible for hereunder shall be carried out by the Concessionaire (H) which shall undertake to perform the Concessionaire's obligations to perform such work and in

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consideration of which the GOHR shall pay fees as provided in *Clause 11*; the Concessionaire (H), in carrying out such work and receiving such fees shall act on its own behalf and for its own benefit, and not as an agent or representative of the Concessionaire. For such purpose, the Concessionaire, the GOHR and the Concessionaire (H) (whose participation the Concessionaire shall procure) shall execute and deliver the Accession Undertaking, *Schedule 14*, upon the effect of which the Concessionaire (H) shall become a party hereto without the need for any further action on the part of the Concessionaire or the GOHR. In such case, the rights and obligations of the GOHR and the Concessionaire under this Agreement shall be transferred and amended in accordance with the terms of the Accession Undertaking, as if the Concessionaire (H) had executed this Agreement as amended by the terms of the Accession Undertaking.

20. Warranty

The Concessionaire hereby warrants that neither it nor its representatives have offered any government officer and/or the GOHR official or employee any consideration or commission for this Agreement, nor has it or its representatives exerted or utilized any corrupt or unlawful influence to secure or solicit this Agreement for any consideration or commission; that the Concessionaire shall not subcontract any portion or portions of the scope of the work of the Agreement awarded to any official or employee of the GOHR or to the relatives within the third degree of consanguinity or affinity of the GOHR officials who are directly or indirectly involved in contract awards or project prosecution, except as noted below and that, if any commission is being paid to a private person, the Concessionaire shall disclose the name of the person and the amount being paid, and that any violation of this warranty shall constitute a sufficient ground for the recision or cancellation of this Agreement or the deduction from the contract price of the consideration or commission paid without prejudice to the filing of civil or criminal action under the Anti-Graft Law [U.S. Foreign Corrupt Practices Act] and other applicable laws against the Concessionaire and/or its representatives and the GOH's officials and employees. To the extent that the Concessionaire has a business relationship with any officials as noted above or with relatives, and the Concessionaire identifies these relationships, which it desires to continue, prior to the award of this contract, and the GOHR attorneys accept that such a relationship is valid and business-like and predates the solicitation period for this Agreement or was developed on a competitive basis, then the GOHR may permit this relationship to continue without liability under this Agreement.

21. Notices

- 21.01 Unless otherwise stated, each communication to be made hereunder shall be made in writing but, unless otherwise stated, may be made by telex, fax, email or letter. The sender in all cases bears the responsibility of confirming receipt.
- 21.02 Any communication or document to be made or delivered by one party to another pursuant to this Agreement shall be made or delivered to that other at its address specified or such other address notified by that party to the other parties by giving not less than fifteen (15) days notice of such change of address, and shall be deemed to have been made or delivered (i) in the case of any communication made by telex with correct answerback (at the number identified with the relevant party's signature below), when dispatched, (ii) in the case of any communication made by letter, when the addressee confirms receipt, and (iii) in the case of faxes and emails, where the communication can be deemed to have been delivered if the recipient confirms receipt

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by	any	of	the	above	methods
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21.03	Addresses, numbers and directions for giving notices under this Agreement
For GO	HR
For the	Concessionaire

22. **Dispute Resolution**

- 22.01 Throughout the term of this Agreement, representatives of the Directors of the GOHR or its designated representative, the Concessionaire and the Concessionaire (H) shall meet regularly at not less than yearly intervals to discuss the progress of the Project and the operation of the terminal and related facilities in order to ensure that the arrangements between the parties hereto proceed on a mutually satisfactory basis.
- 22.02 The parties hereto agree that, in the event that there is any dispute or difference between them arising out of this Agreement or in the interpretation of any of the provisions hereof, they shall endeavor to meet together in an effort to resolve such dispute by discussion between them, but failing such resolution the Chief Executives of the Concessionaire and the GOHR or its designated representative shall meet to resolve such dispute or difference and the joint decision of such Chief Executives shall be binding upon the parties hereto. In the event that a settlement of any such dispute or difference is not reached pursuant to this sub-clause, then the provisions of *Clause 24* shall apply.

23. **Law**

This Agreement shall be governed by and construed in accordance with the laws of the Republic of Honduras.

24. **Jurisdiction**

- 24.01 The parties hereto submit to the non-exclusive jurisdiction of the proper courts of the Republic of Honduras for the hearing and determining of any action or proceeding arising out of or in connection with this Agreement.
- 24.02 To the extent that the GOHR may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), the GOHR agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

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25. **Taxes**

The GOHR shall be responsible for the payment of all taxes, import duties, fees, assessments, charges and other levies imposed by the National Government of the Republic Honduras or any agency or instrumentality thereof, or any representative, to which the Concessionaire or the Concessionaire (H) may at any time be or become subject in or in relation to the performance of their obligations under this Agreement, including taxes on profits of the Concessionaire (H), all real estate taxes and assessments, rates and other charges in respect of the Site, the buildings and improvements thereon and the terminal and supporting facilities, but excluding published construction permit fees, environmental permit fees and other similar fees and charges.

By way of example, but not to limit in any way, the GOHR will cause the following tax conditions to be created in relation to the concession and the Concessionaire:

- (i) No taxes, import duties fees or levies of any kind on all material, goods and supplies for items imported for the construction of the terminal facilities will be due from the Concessionaire
- (ii) No import duties import duties fees or levies of any kind on vehicles and other equipment related to the operation and maintenance of the terminal during the course of the Concession Period, subject to these items not being sold in the local market, will be due from the Concessionaire
- (iii) No income tax, or sales or VAT tax in any form on the revenues obtained under the DBOT Agreement will be due from the Concessionaire
- (iv) There will be no profit remittance restrictions, fees or taxes on the revenues obtained under the DBOT agreement
- (v) No property taxes or assessments will be due from the Concessionaire for the property used or the facilities constructed for the Project, for the life of the agreement
- (vi) No import or sales taxes will be due for goods and material and equipment purchased in Honduras for use in the construction and operation of the Project.
- (vii) The Concessionaire will be subject to payroll taxes for all staff as if the staff are Honduran nationals.

26 Changed Scope of Operations

It is anticipated that the scope of operations envisioned in good faith in the Solicitation leading to this agreement, and as documented in this Agreement, could change. The parties therefore agree to the following:

- (i) The parties understand that the forecast of product demand included in the solicitation for this agreement and included in the final *Schedule 1* of this Agreement are estimates based on best efforts and are subject to changes beyond the control of the GOHR.
- (ii) The GOHR is not responsible for any costs or lost revenue compensation to the Concessionaire if the demand is less than that forecast at any time.

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- (iii) To the extent that the demand rises at a faster rate or to a higher level than forecasted in **Schedule 1**, for any reason, the Concessionaire will be responsible for the management of the terminal and scheduling its operations up to the maximum level of throughput warranted by the Concessionaire, as shown in **Schedule 1** attached to this Agreement.
- (iv) Any such agreement will be documented by the parties in a revised *Schedule 1* for the maximum throughput conditions and in *Schedule 13* for the fees.

It is also possible that the GOHR will request other services to be rendered by the Concessionaire during the Concession Period. This includes by way of example, but not to limit in any way:

- (i) Support Honduras serving to import products through its terminal facilities for the region,
- (ii) Set up a lightering and transshipping operation for crude oil,
- (iii) Export ethanol and bio diesel
- (iv) Convert some or all of the terminal and supporting facilities into export facilities if a regional refinery is constructed which could effectively employ this infrastructure.
- (v) Import product components and blend finished motor gasoline and or fuel oil

To the extent that the GOHR advises that the GOHR desires a higher level of throughput that the maximum stated in Schedule 1 or desires to commence new operations as suggested above, the parties will review the level of investment required, the added operating costs, the risks involved and mutually agree to a new higher maximum throughput, or other operating basis as the case may be, at a fee which adequately compensates the Concessionaire for any added investment, operating costs and profit.

27. No Waiver

No waiver by either party of any breach of any of the covenants or conditions under this Agreement shall be construed as a waiver of any succeeding breach of the same or any other covenant or condition

28. **Amendments**

This instrument cannot be modified in any way except by agreement of both parties in writing. Such written agreement may be in the form of an exchange of telexes, cables, faxes, or emails or letters.

29. Entire Agreement

This instrument contains the entire Agreement of the parties with respect to the subject hereof and there is no other promise, representation, warranty, usage or course of dealing affecting it.

30. Witness

AS WITNESS the hands of the duly authorized representatives of the parties hereto on the

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Summary of Conditions Affecting Project Costs and Risks

The following summary provides information to the prospective Concessionaire to assist in the structuring of the proposal. The intention is to clarify as many points as possible about rights and obligations in order to minimize the risk assessment for the Project, and to allow for the informed preparation of an investment and operating budget by the interested parties.

Taxes

The GOH will arrange for the following tax environment:

- 1. No taxes, import duties, fees or levies of any kind on all material, goods and supplies for items imported for the construction of the Terminal and Supporting Facilities will be due from the Concessionaire.
- 2. No taxes, import duties, fees or levies of any kind on vehicles and other equipment related to the operation and maintenance of the Terminal and Supporting Facilities during the course of the Concession Period, subject to these items not being sold in the local market, will be due from the Concessionaire.
- 3. No income tax, or sales or VAT tax in any form, on the revenues obtained under the DBOT Agreement will be due from the Concessionaire above the rate charged by the Concessionaire's home country for tax reporting purposes, and such tax, as due, will be paid to the GDH unless it can be demonstrated by the Concessionaire that the Concessionaire's home country does not have statues/ regulations prohibiting double taxation of foreign earnings.
- 4. There will be no profit remittance restrictions, fees or taxes on the revenues obtained under the DBOT Agreement.
- 5. No property taxes or assessments will be due from the Concessionaire for the property used or the facilities constructed for the Project, for the life of the Agreement.
- 6. No import or sales taxes will be due for goods, material and equipment purchased in Honduras for use in the construction and operation of the Project.
- 7. The Concessionaire will be subject to payroll taxes for all staff as if the staff were Honduran nationals.

Land

- The GOH will lease or cause to be leased to the Concessionaire the required land for the Terminal and Supporting Facilities, at the primary site of the Project at no cost to the Concessionaire.
- 2. For the sake of good order, offices, staging areas, and warehouses away from the Project site may be obtained by the Concessionaire at his own cost and risk, as the Concessionaire elects, and with exposure to property taxes and assessments.

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3. The GOH will provide any and all rights of way as may be reasonably required for access to or construction of the Terminal and Supporting Facilities as part of the Project, at no cost to the Concessionaire, for the life of the Agreement.

Utilities

- The GOH; or any agency of any Department of the GOH, will not provide any water, sewer, power or other utility services to the Concessionaire for the construction or operation of the Project.
- 2. The Concessionaire will have the right and obligation to generate its own power requirements, produce fresh water, and utilize sea water for the production of fresh water or for use as cooling water, fire water, or other utility services at its own costs and risk.
- To the extent that utilities are available at any time for use by the Concessionaire, the Concessionaire may arrange for such utility services at its own cost and risk, whether the utility in question is available from a private party or from any agency of any Department of the GOH.

Security

- 1. The GOH will allow the Concessionaire the opportunity to erect its own security fence around the designated property prior to the start of construction at the site.
- 2. The Concessionaire will have the right and obligation to construct its own permanent security barrier or fence around the Terminal and Supporting Facilities for service during the life of the Agreement.
- 3. The Concessionaire will have the right and obligation to establish its own security system using its own staff or service personnel to maintain security of the Terminal and Supporting Facilities on a 24/7 basis. At the minimum, such a security system, including facilities, management systems and escalating levels of alertness, must be consistent with ISPS guidelines and requirements for ports and terminals.

Staffing

- 1. The Concessionaire is encouraged whenever possible to employ Honduran nationals and to engage Honduras-based companies for services. The Concessionaire will, however, have full right to employ and contract at its own discretion.
- 2. To the extent that Honduran nationals are employed, local labor laws will prevail, governing the terms and conditions of their employment.
- 3. To the extent that expatriates are retained for employment, then the terms of their work agreement and the laws of the country in which the agreement was made will prevail, subject to meeting local laws and regulations for health and safety.

Insurances

The Concessionaire will obtain and have in place at minimum the following insurances:

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- 1. All Risk during construction
- 2. Accident and Injury for anyone on site during the Concession Period
- 3. Medical and health policies meeting minimum Honduran standards
- 4. Loss and Damage to Terminal and Supporting Facilities from start of construction until the day the Concession Period ends
- 5. Loss and Damage to product while product is in the custody of the Concessionaire

Fee Basis

The structure and method of collection of fees is as follows:

- 1. It is the intention of the GOH to contract with the Concessionaire for the collection of all sales fees and taxes for products dispatched from the Terminal.
 - a. The Concessionaire would subtract from these revenues his estimated fees for the then-current month, and then deposit the balance into a bank designated for this purpose by the GOH.
 - b. In this way, the Concessionaire is guaranteed direct access to funds generated by the sale of petroleum products from the Terminal, without risk of or exposure to delays from any branch of the GOH for payment.
- 2. The Concessionaire will be able to convert the fees withheld on a monthly basis from the collected revenues to US Dollars or other currency as and when it elects and remit these funds without restriction after covering all its local obligations.
- 3. To allow for the possible but improbable occurrence of loss of throughput in the Terminal, through no fault of the Concessionaire, the Concessionaire will be entitled, upon start of operations, to withhold an amount equal to three (3) months of Terminal Storage Fees and hold this in escrow until such time as it may be needed, or to the end of the Concession Period.
- 4. If the escrow fund is used to cover Terminal Storage Fees, the Concessionaire will be entitled in the next month of operations to replenish the amount in the escrow fund to the original levels and continue with this until the end of the Concession period.
- 5. The Terminal Storage Fee is to cover the cost of amortizing the investment, planned maintenance and base fixed costs for the Terminal operation through the life of the concession, as well as a reasonable profit for the Concessionaire. This fee will be established on the basis of US\$ per barrel of total tank shell capacity per month and will be payable at the start of every month.
- 6. The Terminal Throughput Fee is to include compensation for variable costs based on Terminal throughput with no guarantee of a minimum throughput. This fee is to include the Concessionaire's compensation for its role in product supply management and for the services in collecting the product sales revenues from product dispatched from the Terminal.
 - a. Throughput will be defined as the volume of products dispatched from the Terminal.
 - b. These fees will be due at the start of each month for the actual throughput of the previous month.

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Draft DBOT Agreement

The Draft DBOT Agreement, presented in *Attachment 1*, provides additional information regarding the intended rights and obligations of both the GOH and the Concessionaire.

- c. Interested parties are encouraged to familiarize themselves with this Draft Agreement to help guide the formation of their proposals.
- d. As noted earlier, the language and content of the Draft DBOT Agreement is not intended to be restrictive or limiting.
- e. Interested parties are encouraged to suggest changes for clarity, to propose alternative basis for consideration for any item included and or to propose additional subjects for consideration.

The GOHR reserves the right to change the scope of the facilities and services presented in this solicitation at any time prior to the deadline date for the interested parties to submit Proposals and during the course of discussions and final negotiations with the selected parties on the Short List. The GOHR will endeavor to provide prompt notice of any such changes to all parties affected and at the same time to try to avoid any party being placed in a disadvantaged position as a result of the changes.

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ATTACHMENT 3

Decree Authorizing the Solicitation and Award of Contract for the DBOT Project

TO BE PROVIDED BY THE GOH PRIOR TO RELEASE OF THE SOLICITATION

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ATTACHMENT 4

Identification and Authorization of GOH Empowered Entity Making the Solicitation and Entering into the Agreement

TO BE PROVIDED BY THE GOH PRIOR TO RELEASE OF THE SOLICITATION

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ATTACHMENT 5
Organizational Chart for GOH

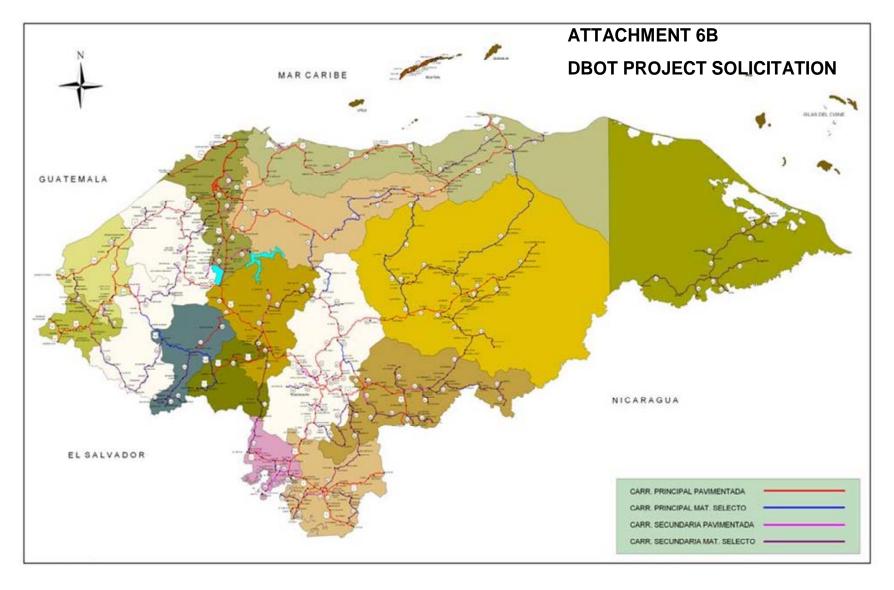
TO BE PROVIDED BY THE GOH PRIOR TO RELEASE OF SOLICITATION

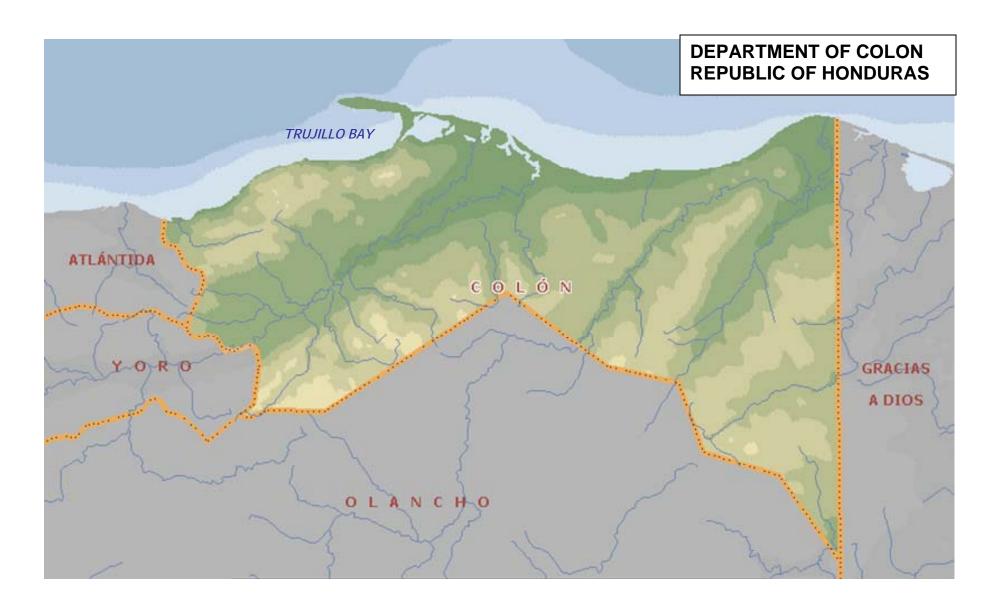
SUROIL INC DBOT PROJECT SOLICITATION ATTACHMENT 6A MAP OF CENTRAL AMERICA

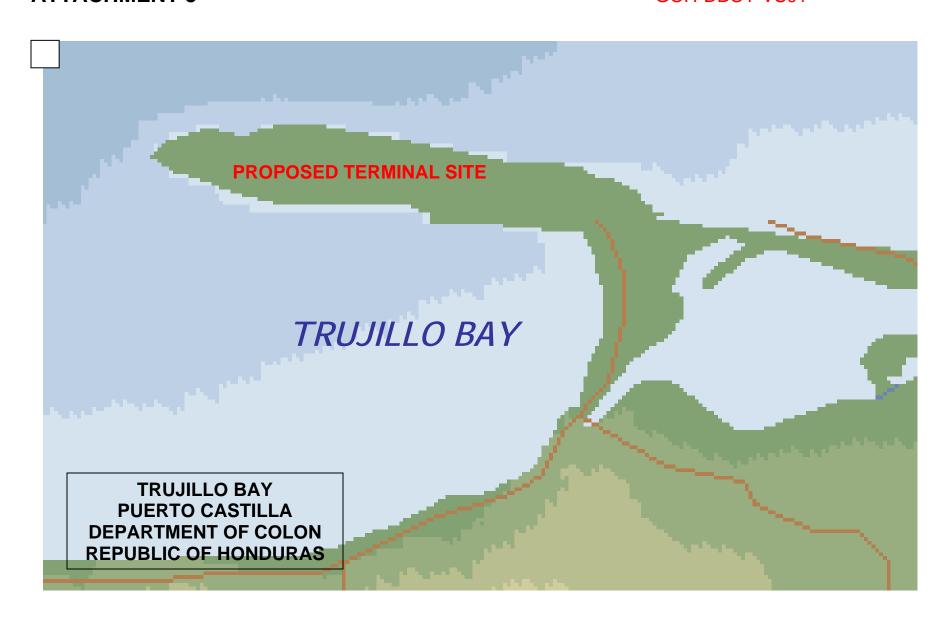
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DBOT PROJECT SOLICITATION







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CHARTS SHOWING WATER DEPTH PUERTO CASTILLO, HONDURAS

TO BE ADDED



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CONTACT INFORMATION FOR ADDITIONAL CHARTS, AND DATA

TO BE ADDED